

# COMMERCIAL LEGAL EXPENSES INSURANCE CLIENT PRODUCT INFORMATION

## What is legal expenses insurance?

Legal expenses insurance is a type of cover that protects your business and its directors/employees against the potential costs of legal action brought by or against you.

However our service is comprised of more than just insurance. In addition to the cover, we also provide you with free access to our telephone legal advice service. This service allows you to contact an independent lawyer for advice on any Singapore business legal matter at no additional charge.

## Where has legal expenses insurance come from?

The concept originated around 1911 as a result of a fatal crash at the famous Le Mans race during which some spectators lost their lives and others were severely injured. When the victims or their families claimed damages from the insurers of the organisers, their claims were repudiated. They then all contributed to a pool which was used to fund collective legal action against the insurers. They were successful and this gave rise to the first legal expenses insurance policy being developed in France.

Much more sophisticated cover is now available and provides for costs incurred across a much greater range of legal risks. Our policy provides cover for your main business legal risks including Employment, Contractual, Property and Data Protection issues.

## Where is the cover available?

The product is now considered a core insurance cover for businesses throughout Europe. It has also become well established in Australia, Canada, USA, South Africa, Japan and South Korea.

We are the first insurer to offer the cover in Singapore and the wider Asian region.

## Why does my business need legal expenses insurance?

In today's increasingly competitive world, disputes and resultant legal action are on the rise. Singapore is no exception and there are a number of factors influencing the pressure of legal budgets and litigation spending:

Rising legal costs are preventing access to justice in Singapore. Legal fees have reached a level whereby businesses are having to consider whether or not participate in actions even where they have a strong case. SME's have been hit especially hard by these rises and there are regular scenarios where business owners have had to make the tough decision not to enforce their legal rights, simply because the cost of enforcement has been too great.

Given this inability to protect their business in the event of a dispute, SME's are losing confidence when it comes to trading with larger entities. Often they are forced to the back of the queue for payments, with large corporates safe in the knowledge they hold the power. To restore the balance and give SME's the confidence to enter contracts with major customers and suppliers, they need the reassurance that if things do wrong they can enforce their position. It is not about encouraging them into taking legal action, but merely the peace of mind that they have the ability to act should it be necessary.

In addition to dealing with disputes, the SME of today is faced with a huge burden of keeping up to date with business legislation and regulatory requirements. Even the most straightforward of businesses are subject to employment, health and safety, data protection and many other industry-specific regulatory requirements. Compliance often has to be achieved without the benefit of in-house expertise, risking penalties due to lack of knowledge or having to pay for external advice and consultation.

With the world and local economy faltering, pressure inevitably comes down on budgets which are not considered everyday essentials to keep the business running. It can often be a false economy to remove budgets entirely, however through insurance the replacement of a legal budget with a smaller legal expenses insurance premium allows capital to be released, whilst maintaining access to funds should a dispute arise.

Whilst a slowing economy does not encourage people to turn to litigation, it does force businesses to protect themselves should revenue be lost due to non-payment of customer invoices or disputes with suppliers. Clearly spending further funds on expensive legal consultation and possible further action is not attractive when margins are already squeezed.

## Do I have this cover already in my other insurance policies?

It is highly likely that you will already have liability insurances which may well cover the cost of lawyers in certain cases. However these legal costs are only provided when your liability to pay damages or compensation is being tested, say in the case of professional negligence for a professional indemnity policy.

Whilst there are some occasions where cover overlaps, a legal expenses policy is entirely different from the liability policies you currently hold. There is no alleged liability required for our policy to be activated, merely the fact a dispute exists. This means the policy responds to a much wider range of situations and does so on many occasions where a liability policy would not be required to respond.

Legal expenses insurance is not a replacement for your liability policies but rather a complimentary product to ensure your business legal risks are protected.

## Can I have some further information?

This type of insurance is new to Singapore and we want to ensure you have confidence that it will meet your needs. If you would like some further information, please contact your insurance broker in the first instance. They can provide you with the following documents:

### Policy summary

This gives you an easy to understand summary of the features and benefits of the cover. It also highlights the important exclusions of the policy.

### Policy wording

If you would like to have more details of the cover, a full policy wording is available. Our wording is written in plain English and we hope you will find it easy to read and understand.

### Claims examples

In order to help explain how the cover works and the type of issues that are covered, we have prepared some real life case scenarios for you.

### Statement of fact/Request for cover

If you would like to take up our policy, your insurance broker will ask you to complete our request for cover form. This is a simple one page document to gather some basic information about your business and confirm the details under which your insurance will be accepted.

This form must be completed and signed before we can confirm your insurance with us. Please note you must complete this form to the best of your knowledge and belief. Any false, missing or misleading information detailed on the form may affect your ability to make a claim.

## Can I buy the cover directly from you?

We only distribute our products through insurance intermediaries as we believe that your insurance requirements should be handled by a professional. Your insurance broker will assess your specific needs and will ensure our policy meets these requirements. As such our products are not available to purchase directly.