



ARAG



**Legal life events:
when they happen,
they hurt!**

*How legal disputes directly impact
Canadian individuals and families.*



Table of Contents

Why Is It Important to Talk About Legal Risks and Their Impacts?	Page 3
1 Out of 3 Experience More Than One Legal Dispute Within Three Years	Page 4
Addressing the Elephant in the Room: COVID-19	Page 4
Top 3 Legal Disputes Canadians Faced in the Last Three Years	Page 5
A Potential Generational Gap? Gen-Z & Millennials vs. Gen-X & Baby Boomers	Page 6
Fewer Than Half of Surveyed Canadians Hired a Lawyer	Page 7
When Legal Life Events Happen, They Hurt!	Page 8
Legal Life Events: Hurting Bank Accounts	Page 9
Legal Life Events: Hurting Job Performances	Page 10
Legal Life Events: Hurting Mental Health	Page 11
Can Legal Expense Insurance Alleviate the Hurt?	Page 12
Our Collective Responsibility to Discuss Legal Risks and Their Impacts	Page 13



Why Is It Important to Talk About Legal Risks and Their Impacts?

Understanding legal risks and their consequences is crucial for everyday Canadians, as these risks directly impact our lives.

Canadians currently face significant challenges, including the high cost of living and housing. These challenges place immense financial strain on families and contribute to a rise in mental health issues, affecting many Canadians' job performance and overall well-being.

Yet, what often remains absent from news headlines are the challenges people encounter when navigating legal disputes, whether they have the assistance of a lawyer or not. This was a sentiment echoed by over 2,500 Canadians who responded to a national survey in July 2023. The survey, conducted by Forum Research on behalf of ARAG Legal Solutions Inc., highlighted the prevalence and impact of these legal issues.

There isn't a single solution that can ensure greater access to justice while simultaneously mitigating the adverse effects of seeking justice on Canadians. Achieving this will necessitate cooperation between the public and private sectors. The Canadian P&C insurance industry holds a pivotal role in offering solutions to reduce the impact of legal risks when Canadians encounter a legal life event.

1 Out of 3 Experience More Than One Legal Dispute Within Three Years



Some might think that legal life events are rare or believe they're unlikely to experience them personally.

However, this assumption can be contested. Among Canadians who faced a legal dispute in the past three years:

20% encountered two disputes, and 13% grappled with three or more disputes.

There are various reasons Canadians might face multiple legal disputes within such a short span. Life changes like purchasing or renting a home, or starting a family, can give rise to different legal issues. Economic shifts, changes in employment, or entering contracts for goods and services can also heighten the risk of legal disputes.

Addressing the Elephant in the Room: COVID-19

Our initial objective was to determine if the COVID-19 pandemic served as a primary cause for the legal disputes faced by these Canadian individuals and families. Our findings revealed:

Only 31% of the legal disputes addressed by survey respondents in the past three years were tied to the pandemic.

The top three pandemic-driven legal disputes experienced by this group of Canadians were:

#1 Dispute with a Tenant | #2 Dispute with a Contractor | #3 Dispute with an Employer or Ex-employer

It's unsurprising to see these disputes at the top. The first and third disputes correlate with the economic and social disruptions triggered by the pandemic. The second reflects the surge in home improvement projects undertaken by Canadians during their extended period of working from home.

However, as profoundly as the COVID pandemic affected us all, another significant insight is:

69% of the legal disputes faced by respondents were not rooted in the pandemic.

While the pandemic is the proverbial elephant in the room, the aforementioned statistic underscores that legal risks persist for the average Canadian, irrespective of external societal crises.

Top 3 Legal Disputes Canadians Faced in the Last Three Years



The three most prevalent categories of legal disputes reported by survey respondents over the past three years were:

#1 | Property Related Disputes

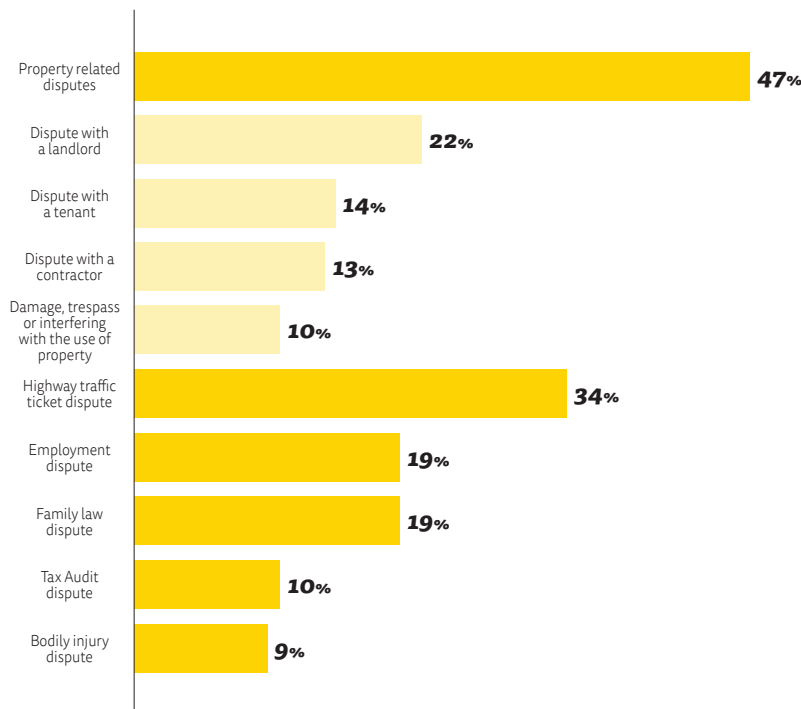
#2 | Highway Traffic Ticket Disputes

#3 | Family Law Disputes

Property disputes — which include disagreements with contractors, third-party damages, legal nuisances or trespassing, and landlord-tenant issues — comprised a notable 47% of all the disputes tackled by Canadian respondents during this period.

This 47% figure underscores a pivotal insight: **Regardless of where Canadians reside, there are substantial and consistent legal risks associated with it.**

TYPES OF LEGAL DISPUTES ENCOUNTERED



A Potential Generational Gap? Gen-Z & Millennials vs. Gen-X & Baby Boomers



Another notable discovery from our data is that younger Canadian generations — specifically Gen-Z and Millennials — were more likely to have encountered at least one legal dispute compared to their older counterparts in Gen-X and the Baby Boomer generation.

The precise rationale behind this generational legal disparity warrants in-depth exploration in the future. Some potential reasons for the heightened engagement of Gen-Z and Millennials with legal disputes include:

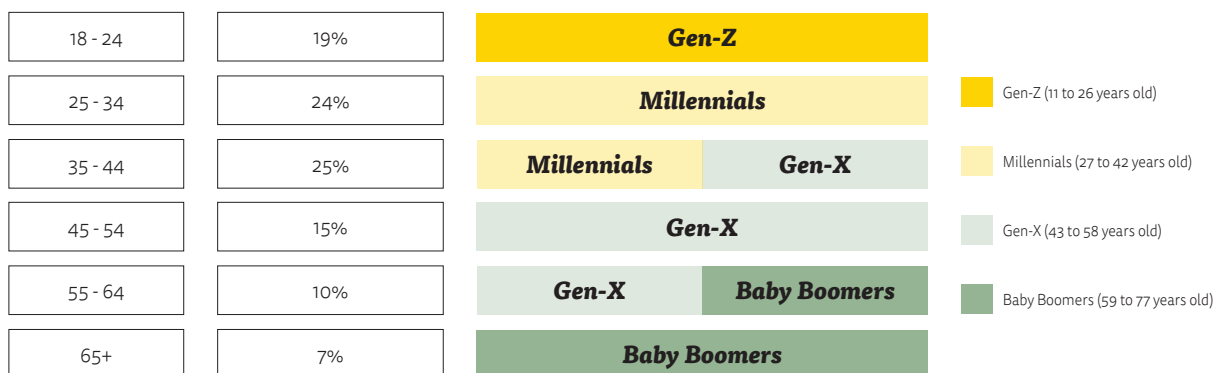
Education: A significant portion of these populations have achieved higher educational levels than their predecessors. This potentially grants them a heightened awareness of legal nuances and a more comprehensive grasp of the legal framework.

Digital Literacy: Immersed in the digital age from a young age, these populations are typically more tech-adept. This proficiency enables them to effectively utilize online platforms for legal research and access pertinent legal data.

Social Awareness: Gen-Z and Millennials frequently demonstrate heightened social consciousness and are proactive in asserting their rights. Their active participation in social justice movements and an inclination to seek legal avenues when confronting perceived injustices or biases is noteworthy.

Financial Strains: Economic hurdles that are unique to these generations; challenges like student loan burdens and the escalating costs of living and housing; may push them towards more active legal engagement. Addressing issues like tenant rights or employment disagreements becomes pivotal in safeguarding their already tight financial situation.

AGE AND GENERATIONAL MARKERS OF RESPONDENTS WHO EXPERIENCED AT LEAST ONE LEGAL DISPUTE*



*Source: Mental Floss: These Revised Guidelines Redefine Birth Years and Classifications for Millennials, Gen Z, and Gen Alpha

Fewer Than Half of Surveyed Canadians Hired a Lawyer



Only 45% of participants engaged the services of a lawyer to address their legal concerns.

The primary legal disputes for which respondents sought legal representation included:

#1 | Family Law Disputes

#2 | Bodily Injury Disputes

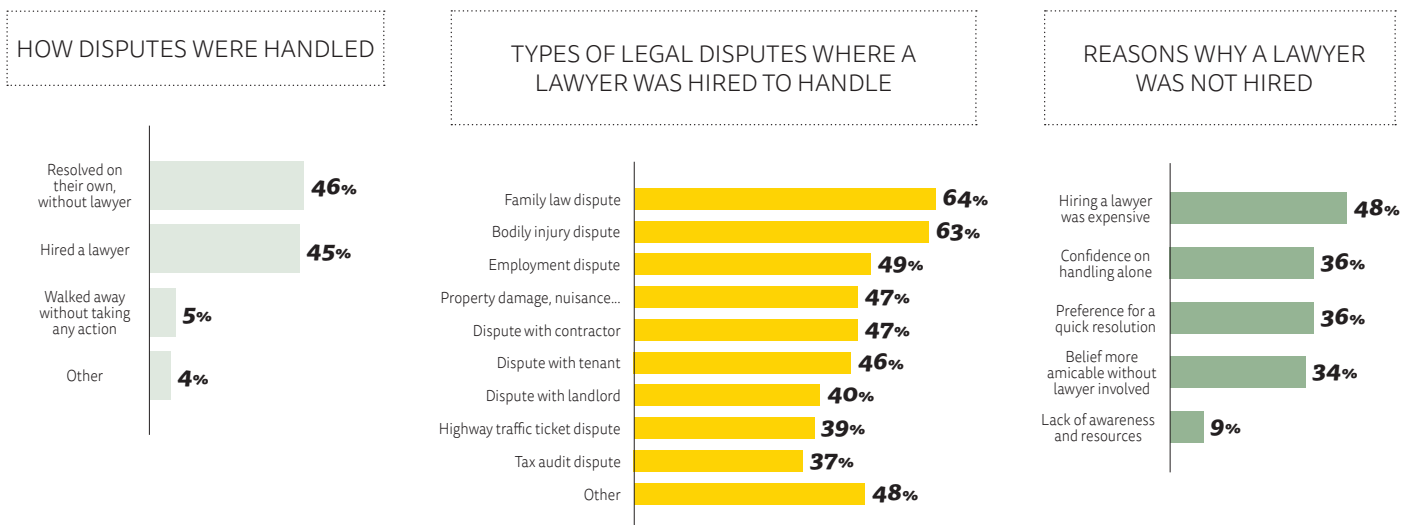
#3 | Employment Disputes

On the other hand:

- 46% of Canadians opted to navigate the legal system independently.
- 5% presumably made the challenging choice to walk away from action rather than advocating for or defending their legal rights.

We further looked to discern the rationale behind individuals or families choosing to tackle the legal system without legal assistance, and found that **the primary reason these respondents decided against legal representation was the expensive cost of hiring a lawyer.**

Subsequent reasons — like the confidence to manage independently, the expectation of an amicable and expedited resolution — may seem logical initially. However, legal matters can be complex. Forgoing professional legal representation might lead to costly mistakes or missed opportunities.



When Legal Life Events Happen, They Hurt!



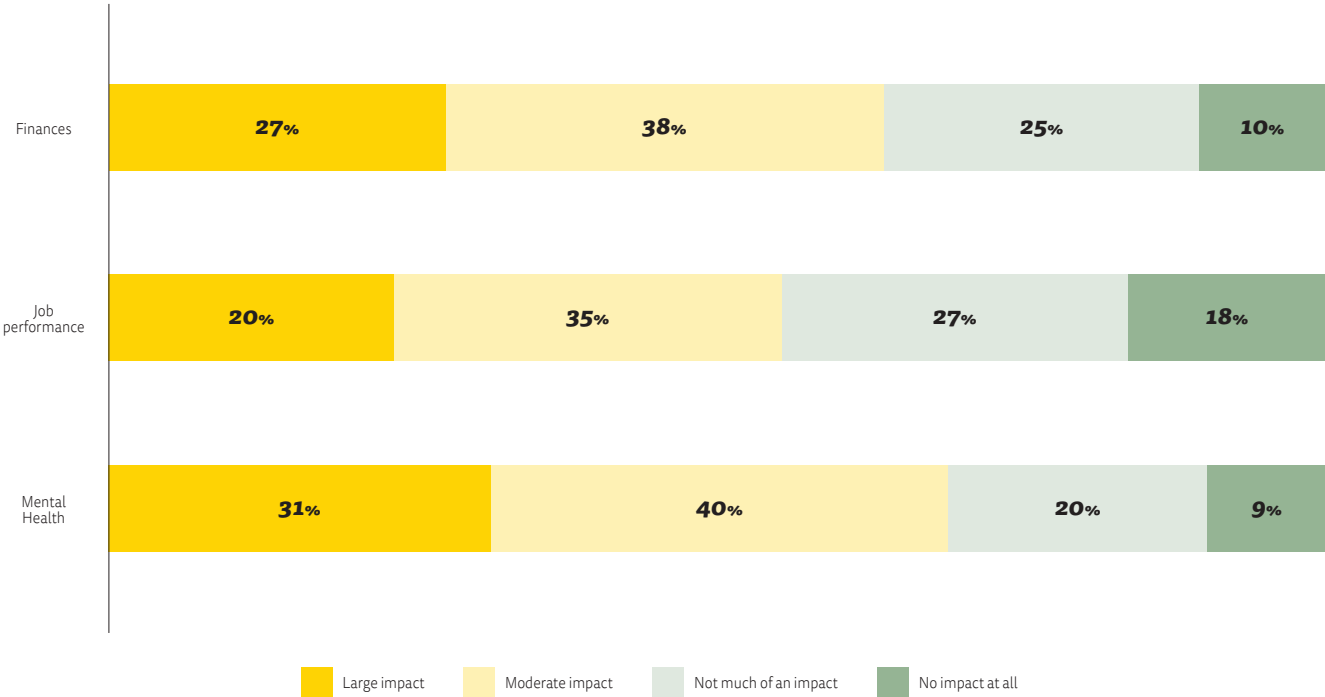
Regardless of whether respondents enlisted the services of a lawyer, our survey highlighted three areas where legal disputes significantly affected their daily lives.

These disputes left a notable mark on:

- Personal Finances
- Job Performance
- Mental Health

In the following sections, we'll delve into the insights surrounding each of these three areas.

THE IMPACTS OF A LEGAL DISPUTE(S) ON RESPONDING CANADIANS AND THEIR FAMILIES



Legal Life Events: Hurting Bank Accounts



Among the respondents, 65% reported that the legal dispute(s) they faced had a significant to moderate impact on their personal finances.

When we break down the financial burden experienced by those who either retained a lawyer or took matters into their own hands:

- 55% incurred legal fees and related expenses ranging from \$1,000 to \$9,999.
- 12% faced costs between \$10,000 and \$20,000.
- A significant 8% spent over \$20,000 on legal fees.

Upon closer examination by type of legal dispute, it becomes evident that almost all types of legal disputes required Canadian households to spend between \$1,000 to \$9,999, with many incurring even greater costs.

In addressing these legal fees, many individuals or families chose to leverage more than one financial resource:

- 60% of participants drew from their personal savings.
- 25% resorted to using credit cards or obtaining personal loans.
- 20% sought financial help from family or friends.
- 12% benefited from legal aid or pro bono services.
- 4% withdrew from their RRSP accounts.

Consider this backdrop: When our survey was conducted in July 2023:

- 52% of Canadians revealed they were only \$200 (or even less) away from failing to meet all their financial commitments. ([see MNP Consumer Debt Index](#))
- The average consumer debt unrelated to mortgages stood at \$20,906. ([see Equifax Canada Market Pulse](#))

Given this financial snapshot, combined with the ongoing cost of living and housing crises that many Canadians face, it's evident that depleting savings or accruing additional debt is neither a feasible nor sustainable approach when navigating the legal system.

HOW MUCH RESPONDENTS PAID IN LEGAL FEES

Respondent who spent between...	\$0 - \$1,000	\$1,000 - \$9,999	\$10,000 - \$20,000	Over \$20,000
Highway traffic dispute	30%	55%	10%	5%
Dispute with a landlord	22%	58%	16%	3%
Bodily injury dispute	25%	43%	17%	19%
Dispute with a tenant	20%	53%	20%	6%
Property damage, legal nuisance, trespass	18%	59%	16%	7%
Employment dispute	17%	61%	18%	4%
Tax audit dispute	17%	54%	16%	12%
Family law dispute	17%	53%	17%	13%
Dispute with a contractor	15%	61%	15%	8%

Legal Life Events: Hurting Job Performances



According to the survey, 54% of the participants reported that navigating a legal dispute(s) significantly impacted their job performance. So, how exactly did these legal challenges affect their work?

The effects were multifaceted:

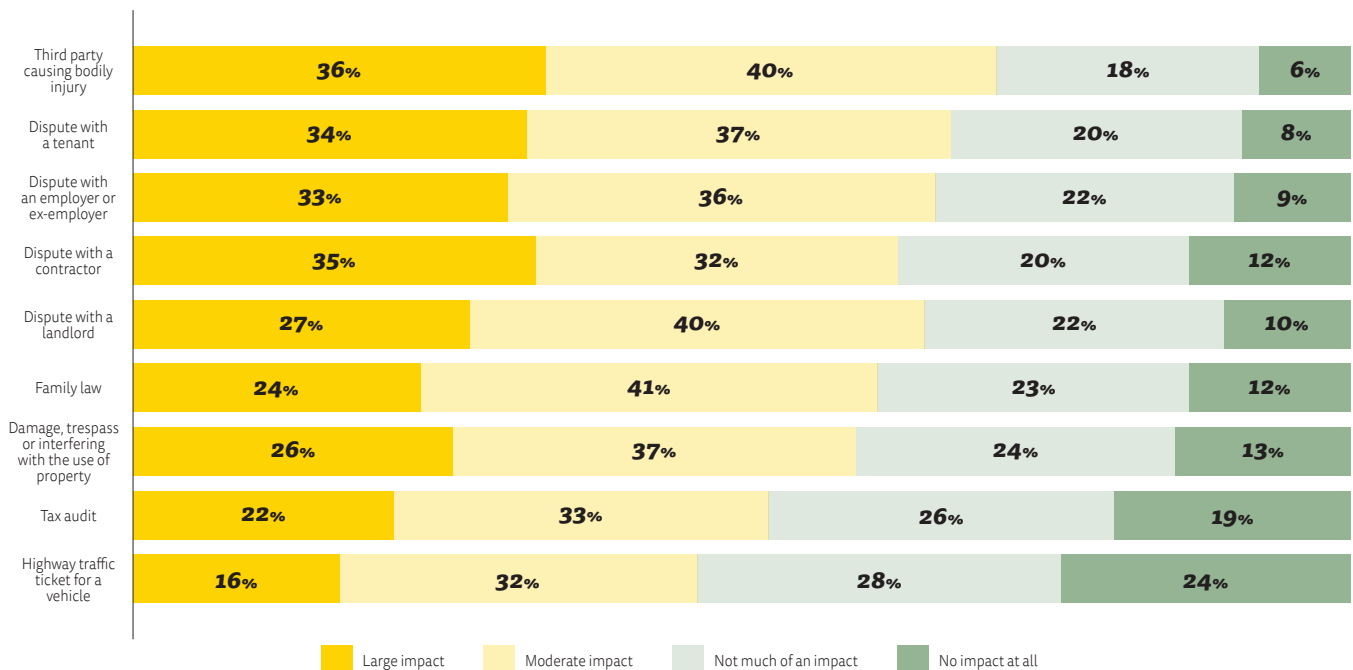
- 54% of these individuals experienced a surge in work-related stress and anxiety.
- 51% found it difficult to maintain focus or concentration during work hours.
- Almost half, 47%, had to take days off.
- 38% noticed a decline in their daily productivity.
- 15% believed the legal dispute hindered their prospects for career advancement.

However, the most alarming revelation was that 12% either lost their jobs or were dismissed as a direct result of their ongoing legal disputes.

Upon closer examination of individual types of legal disputes, it's evident that some legal issues more profoundly affect job performance than the overall 55% average suggests.

Interestingly, the overall average seems to be slightly skewed downwards by the relatively minor job performance impact of highway traffic tickets, despite being the second most common legal dispute encountered by the respondents.

THE IMPACTS OF A LEGAL DISPUTE(S) ON RESPONDING CANADIANS AND THEIR FAMILIES



Legal Life Events: Hurting Mental Health



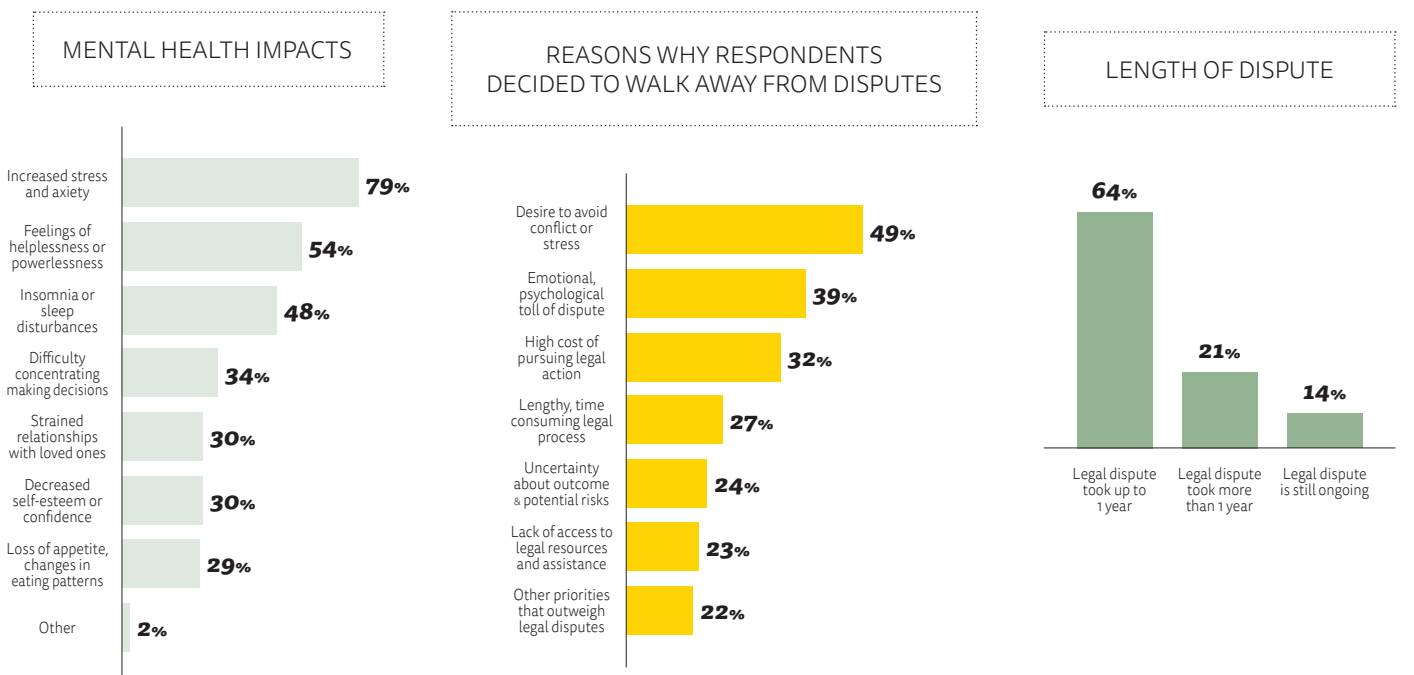
A significant 71% of Canadian respondents indicated that their handling of a legal dispute had a profound influence on their mental well-being, as well as that of their household members.

The detrimental effects of these legal disputes on mental health are multifaceted. This sentiment is further echoed by the 5% of respondents who chose to forgo pursuing the legal matter. Their primary reasons for walking away were deeply rooted in concerns over potential mental health repercussions.

The statistics show the scale of this concern. In a typical year, 20% of Canadians grapple with mental health challenges. By age 40, half of the Canadian population has encountered a mental health issue at some point in their lives. [\(see CAMH Mental Illness and Addiction: Facts and Statistics\)](#)

While individual thresholds for stress and coping mechanisms differ, a pivotal question remains: How long can one sustain such heightened stress, especially when considering the prolonged duration many respondents reported in resolving their disputes? The ripple effects on both mental health and job performance can be profound, lingering well beyond the immediate aftermath of the dispute.

With the cost-of-living, housing and many other pressures Canadians face today, navigating a legal challenge poses yet another burden on Canadians and their families.



Can Legal Expense Insurance Alleviate the Hurt?



We posed the following question to 2,500 Canadian survey participants:

“How willing would you be to accept a home insurance premium increase of approximately \$5 per month if it provided comprehensive coverage for all legal expenses associated with resolving employment, tenant, property, or contract disputes, defending against highway traffic tickets or tax audits, and included benefits such as access to legal assistance services, free legal document review and drafting?”

After reading the statement, which typically takes under 30 seconds: **73% expressed a willingness to pay an additional \$5 monthly (\$60 annually) on top of their current home/tenant insurance policy rates to access the core benefits of legal expense insurance.**

This level of interest and acceptance was irrespective of the type of legal dispute(s).

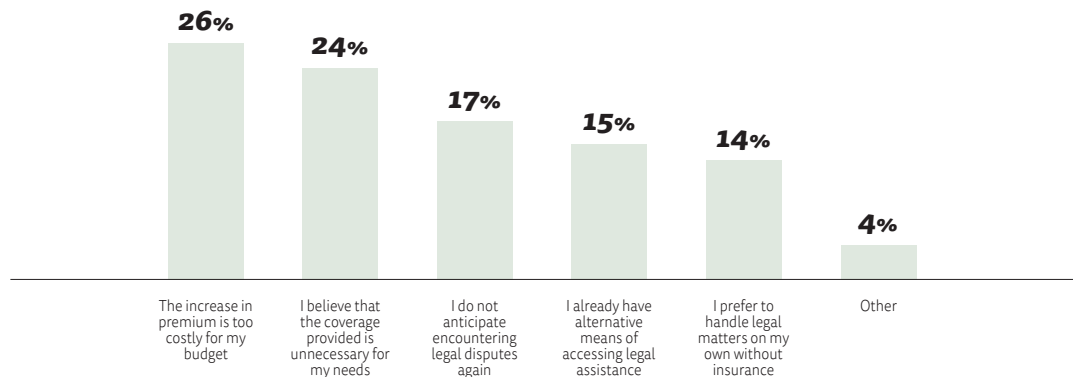
Among the 27% who declined the offer, the prevalent reason, unsurprisingly given the ongoing cost-of-living challenges, was reluctance to accept any premium increase.

Considering the current cost-of-living crisis, not accepting any increase in premium being the #1 reason is not surprising and justifiable.

However, those resisting the increase due to other reasons either:

- Have not engaged in a legal risk conversation with their insurance broker; or
- Have not explored their insurer’s website to comprehend potential legal risks, their implications, and the role of legal expense insurance as a mitigative measure.

REASONS GIVEN WHY A \$5 PER MONTH PREMIUM INCREASE FOR LEI COVERAGE WOULD NOT BE ACCEPTABLE





Our Collective Responsibility to Discuss Legal Risks and Their Impacts

Why is it important to discuss legal risks?

Is it their omnipresence, regardless of crises? The profound financial and emotional toll they take on Canadians? The pressing need for awareness amidst escalating daily challenges? Or the fact that many legal disputes Canadians are faced with aren't covered by most home or tenant insurance policies?

Our investigation remains ongoing. As we continue to study, develop and grasp our industry's shifts, our focus remains on Canadians and their families as we continue to keep them in mind and at heart. We work to introduce solutions that simplify their journey through our complex justice system.

We've consistently advocated for Legal Expense Insurance (LEI) as an essential risk management tool. It should be a staple in every insurance portfolio, whether it's with an insurer, mutual, or brokerage. We're committed to our goal of democratizing access to justice for all Canadians, ensuring their legal risks are competently addressed.

Sources:

MNP Consumer Debt Index
Equifax Canada Market Pulse — Consumer Quarterly Credit Trends Report
CAMH Mental Illness and Addiction: Facts and Statistics



Let's work together to ensure Canadians' legal risks are well managed!

If you have any further questions about our research findings and how legal expense insurance can help your customers, please contact a member of our ARAG Business Development team.

ARAG Legal Solutions Inc. (ARAG) is the Canadian market leader and managing general agent specializing exclusively in Legal Expense Insurance. Working with broker, insurer, and mutual partners, we create access to justice solutions for Canadian families, small business owners, strata councils / condominium boards and residential landlords. Our policies are underwritten by HDI Global Specialty SE.