



# new kid on the block

## *Commercial Legal Expense Insurance: a new product, that provides low-cost solutions for Canadian businesses*

BY SUZANNE ELSTON

**WE LIVE IN** a litigious society. For the independent business owner, facing situations that can lead to legal action are surprisingly commonplace. Dissatisfied customers, employment disputes, and contractual disputes with suppliers have become the new reality for many small to medium-sized businesses. Typically, these businesses do not have legal services on staff.

Given the high cost of retaining a lawyer, smaller companies are often put in a position where they have to choose between jeopardizing their financial bottom line by incurring heavy legal expenses, or risk losses by failing to have proper legal representation. But failing to pursue a legitimate claim or defend a civil action because of the potential legal costs can ultimately end up costing a great deal more, and ultimately force companies into bankruptcy and closure.

Fortunately, a new insurance product, recently launched in Canada, provides affordable access to the kind of legal representation that has previously been

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reserved for large corporations. Designed to protect small to medium sized businesses, it offers financial help and professional assistance for a wide range of common occurrences that can involve the law. Commercial Legal Expense Insurance (CLEI) provides payment of the reasonable legal fees of a lawyer, specializing in all aspects of business, contractual and employment law. It ensures that smaller companies are not precluded from obtaining their rights at law. It provides the financial resources to "go legal" regardless of the financial strength of the opposition.

More than an insurance policy, CLEI provides businesses with a complete service, including access to a toll-free Telephone Legal Advisory (TLA) Service. This service provides unlimited access to a lawyer for immediate advice on any business matter, during regular business hours.

The TLA Service is an asset for business owners. By seeking legal advice right from the start, problems can often be resolved quickly or a suitable compromise reached between the parties involved before costly

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settlements or long, drawn-out court cases happen. It's these cases that can take valuable time away from owners - time that would otherwise be spent running their businesses.

CLEI is the latest Legal Expense Insurance (LEI) product to be made available in Canada by Oshawa-based STERLON Underwriting Managers Ltd. and must not be confused with commercial liability insurance. CLEI provides additional protection for matters not covered by commercial policies.

Other Legal Expense Insurance products already available include protection for professionals working in the health care and educational field. The addition of Commercial Legal Expense Insurance means that small to medium sized business owners can now enjoy the same peace of mind that professionals have enjoyed since the concept of LEI was first introduced to Canada in 1990.

"We're very excited to be able to provide this coverage for Canadian businesses," says STERLON president Kevin Le Messurier-Girling. "Experience in Europe has taught us that legal expense insurance helps reduce costs and nuisance law suits, while improving stability for companies. CLEI also provides peace of mind for business owners, and frees them to focus on the business of doing business."

This commercial product has been available to businesses in Britain and Europe for many years and is widely purchased. Here are a few examples of how CLEI has helped businesses in the UK:

A company that refused to pay for defective merchandise was taken to court by its supplier. The company brought a counter suit against the supplier for loss of profits, and was ultimately awarded a six-figure out-of-court settlement. The company's \$100,000 legal bill was covered by CLEI.

A storage company unknowingly warehoused stolen property. Following a police search, the stolen goods were discovered and the three directors of the company were arrested. Thanks to its CLEI policy, the company immediately retained a lawyer who

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was able to prove that the goods had been accepted in "good faith". The directors were cleared of all criminal charges and the company's CLEI covered \$10,000 in legal fees.

The owner of a clothing franchise was sued after deciding not to renew his franchise agreement. Thanks to CLEI, the owner defended the case and ultimately was able to prove that the franchise agreement was no longer valid. CLEI cover his legal fees, which ultimately exceeded \$40,000.

CLEI provides businesses with legal advice and financial muscle whenever it is needed to enforce or defend their legal rights. It covers the costs incurred by a lawyer (at a maximum hourly rate of \$275) up to \$50,000 per case, to a maximum of \$250,000 for reasonable lawyer's fees, and encompasses five crucial areas.

### 1. Contract Disputes

This allows companies to pursue or defend contractual disputes relating to the sale, purchase, lease or rental of goods or the provision of services. For example, this would cover disputes with customers or suppliers and defence against claims of poor workmanship.

### 2. Employment Disputes

Small companies can find themselves embroiled in disputes with former employees who make claims of wrongful dismissal or discrimination. They can also face issues such as poor performance or excessive absenteeism with current employees. These kinds of conflicts are much more commonplace than we realize and can cause a great deal of anxiety for the small business owner. CLEI provides legal coverage and expert advice for dealing with these and other employment issues.

### 3. Criminal Prosecution

CLEI will cover legal fees for policy owners faced with defending themselves against criminal or statutory charges. This includes the Criminal Code (Canada) and the Occupational Health and Safety Act.

### 4. Property Disputes

Most small to medium sized businesses occupy leased premises. In order to make ends meet, many have subtenants of their own. Problems arising from property use, including vandalism, trespass and third party damage are all covered by CLEI.

### 5. Personal Injury

The death or injury of the owner can leave small businesses extremely vulnerable. CLEI covers the pursuit of claims for compensation relating to death or bodily injury sustained away from the workplace, but while engaged in business activities, and covers both businesses owners and employees.

The value of CLEI is clear. It means that no business, however small, should be prevented from exercising its full legal rights in a court of law. For a modest annual fee CLEI helps business owners protect their investment and provides them with peace of mind that takes the worry out of seeking legal advice, when necessary, and enables them to focus on building their businesses. This unique new insurance makes excellent legal assistance affordable for business owners, and reduces the risk of financial disaster. In short, CLEI is a product that no small to medium sized business should be without. ■

*For further information about Commercial Legal Expense Insurance, contact STERLON Underwriting Managers Ltd., Canada's experts in Legal Expense Insurance, at 905-436-3291 or visit [www.sterlon.com](http://www.sterlon.com).*

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