LegalShield℠ LAW INDEX

About LegalShield

#1 Provider
of Subscription-based legal
plans to households

1972–present
46+ Year History
and counting

6,900 Broker & Agency Clients
served by our dedicated
B2B division

More than 1.8 Million Memberships
paying monthly via credit card/
debit card/payroll deduction

47,000
small business accounts

39 Law Firms
In 50 states and 4 Canadian provinces
with a total of 900 lawyers focused on
LegalShield matters, in addition to
a referral network of 4,600 lawyers,
with average of 22 years experience

About the LegalShield Law Index

- The LegalShield Law Index is a suite of leading indicators of the economic and financial status of U.S. households and small businesses.

- The LegalShield Law Index is comprised of five sub-indices that are constructed from LegalShield's proprietary data, which reflect the demand for various legal services over the past 15+ years. Each time a LegalShield provider law firm receives a request from a LegalShield customer, the request is logged as an "intake" in one of roughly 70 unique areas of law (e.g., real estate) depending on the nature of the request.

- Each sub-index reflects the number of intakes in an area of law as a share of total intakes across all areas of law in a given month. In some instances, individual indices across multiple areas of law (e.g., bankruptcy, foreclosure, consumer/finance) are combined to produce a composite index (e.g., consumer financial stress).

- The sub-indices that comprise the LegalShield Law Index were selected because they tend to lead an existing economic indicator that sheds light on the health of the U.S. economy (i.e., the target economic indicator). In this way, the LegalShield Law Index provides actionable intelligence about the direction of the U.S. economy in the near term.

Advantages of the LegalShield Law Index

UNIQUE
The LegalShield Law Index is based on inquiries into specific legal services each month. To the best of our knowledge, there is no comparable data on the market.

PROPRIETARY
The LegalShield Law Index is based on data collected through LegalShield's provider law firms in all 50 states, thereby offering information that is not accessible to the general public.

HIGH-FREQUENCY
The LegalShield Law Index is based on data collected on a near real-time basis, and can be refreshed on a weekly, monthly, or quarterly basis depending on the user's needs.

ROBUST
The LegalShield Law Index is based on intakes for more than 1.8 million memberships (including individuals and small businesses), providing a window into the experiences of families and businesses across the country at any given point in time.

LegalShield Law Index + Target Economic Indicators

Each sub-index that comprises the LegalShield Law Index has undergone a battery of statistical tests to validate its relationship to an existing economic indicator that sheds light on the health and direction of the U.S. economy (i.e., the target economic indicator). Each index was selected because it tracks its target indicator, thereby providing advance insight into where the economy is heading in the near term.

LegalShield Law Index	LegalShield Area(s) of Law	Target Economic Indicator
Consumer Financial Stress (Composite Index)	Bankruptcy, Foreclosure, & Consumer/Finance	Consumer Confidence (Conference Board)
Housing Activity (Composite Index)	Foreclosure & Real Estate	Housing Starts (U.S. Census Bureau)
Bankruptcy	Bankruptcy	Total Bankruptcies (Compiled by Epiq Systems)
Foreclosure	Foreclosure	Foreclosure Starts (Mortgage Bankers Association)
Real Estate	Real Estate	Existing Home Sales (National Association of Realtors)

Interpreting Each Component of the LegalShield Law Index

Consumer Financial Stress Index

Consumer spending accounts for more than two-thirds of U.S. economic activity. The flagship LegalShield Consumer Financial Stress Index tends to lead the Conference Board's Consumer Confidence Index by one to three months. The LegalShield Consumer Financial Stress Index also provides a useful "hard" data check on the Consumer Confidence Index and similar measures of consumer confidence that are based on "soft" survey data, as these measures are not always consistent with underlying economic conditions.

Housing Activity Index

The housing market, broadly defined, accounts for up to one-seventh of U.S. economic activity, and the amount of new residential construction (as measured by housing starts) can provide insights into consumers' confidence about their jobs and future income. The LegalShield Housing Activity Index tends to lead U.S. Census data on housing starts (a key economic indicator) by 1–2 months — providing timely intelligence about near-term housing market health.

Bankruptcy Index

Bankruptcy data provide an important insight into the overall financial health of consumers and businesses. As witnessed during the Great Recession od 2008-09, an uptick in bankruptcies can foreshadow significant turmoil within the economy. The LegalShield Bankruptcy Index tends to lead the trajectory of total bankruptcies by roughly one month, providing an early warning signal of an economic downturn.

Foreclosure Index

A rise in foreclosures often signals a worsening of household finances, as households typically delay payments on other debt obligations in order to pay their mortgages on time. The LegalShield Foreclosures Index closely tracks foreclosures as reported each quarter by the Mortgage Bankers Association.

Real Estate Index

The housing market accounts for a significant share of U.S. economic activity, and the pace of existing home sales can provide insights into consumers' confidence about their jobs and future income. The LegalShield Real Estate Index tends to lead existing home sales as published by the National Association of Realtors and offers an early look at emerging trends in the housing market.

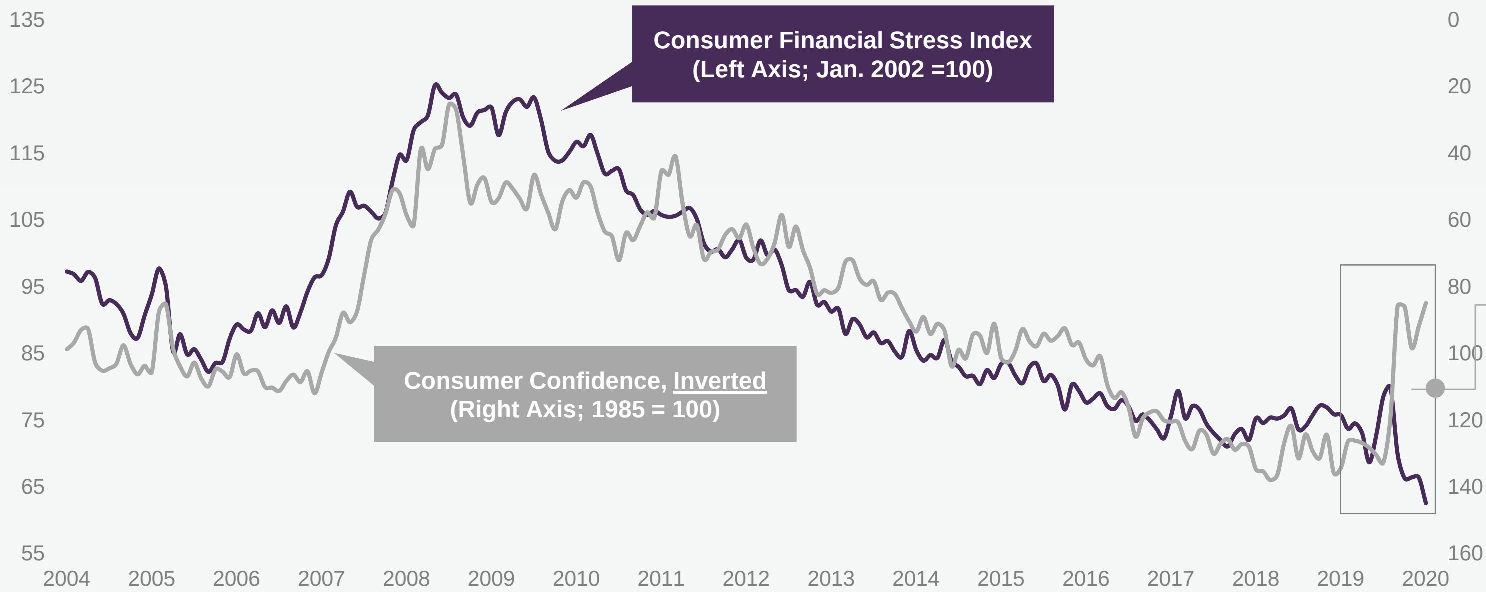
LegalShield Consumer Financial Stress Index

Headline: The LegalShield CFSI improved in August, as unprecedented government support continues to help consumers weather the pandemic-triggered recession. However, the months ahead remain fraught with uncertainty as the labor market remains severely weakened.

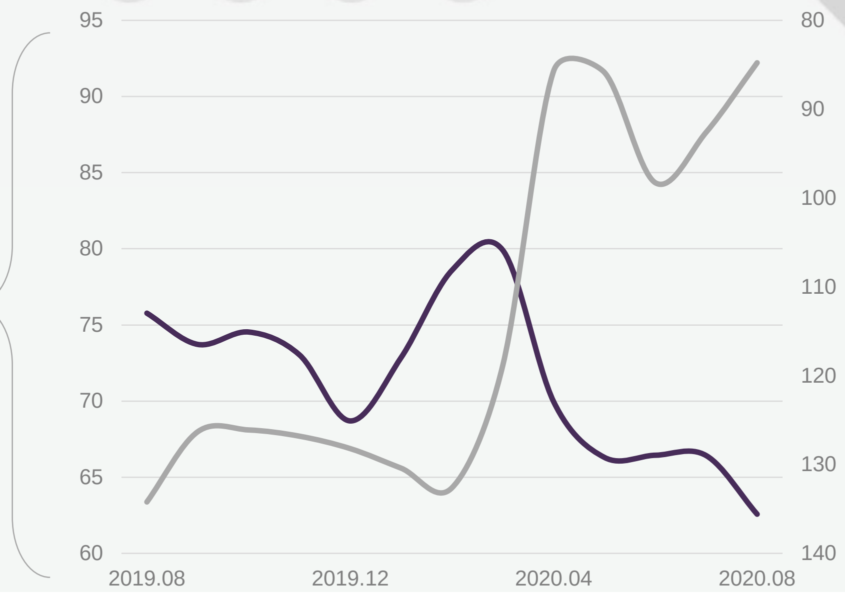
Trends in Context: The LegalShield Consumer Financial Stress Index decreased (improved) 3.8 points to 62.6 in August, marking the lowest level on record. At the same time, the Conference Board's Consumer Confidence Index dropped 6.8 points to 84.8 in August, signaling increased pessimism about the economy's near-term prospects. After a strong initial rebound after broad swaths of the economy shut down from March – May, recent indicators are less encouraging. For example, there were 4.1 million permanent job losses through August, and this figure will rise to 6.2 – 8.7 million by the end of the year according to Harvard and Fed economists. The small business economy is particularly susceptible: per Womply, 19% of small businesses open in January were shuttered as of early August. Labor market woes have weighed on consumers and reduced spending: consumer credit and debit card purchases remain 4 – 8% below pre-pandemic levels through mid-August.

Despite these headwinds, consumers have benefitted from an unprecedented level of federal stimulus efforts (including direct payments and enhanced unemployment benefits), along with other consumer-friendly policies such as eviction moratoria and lender-provided payment deferral and debt forbearance offerings. While these policies are temporary (and, in the case of unemployment benefits, have been significantly scaled back), they have kept financial stress low for most consumers as evidenced by LegalShield data. Nevertheless, private sector and non-Census government hiring slowed significantly in August, while permanent unemployment rose — concerning signs for months ahead, particularly given that Congress appears no closer to reaching a deal to provide additional support to Americans suffering the most.

HISTORICAL TREND OVER PAST 16 YEARS



MOVEMENT OVER PAST 12 MONTHS



Source: LegalShield; The Conference Board.

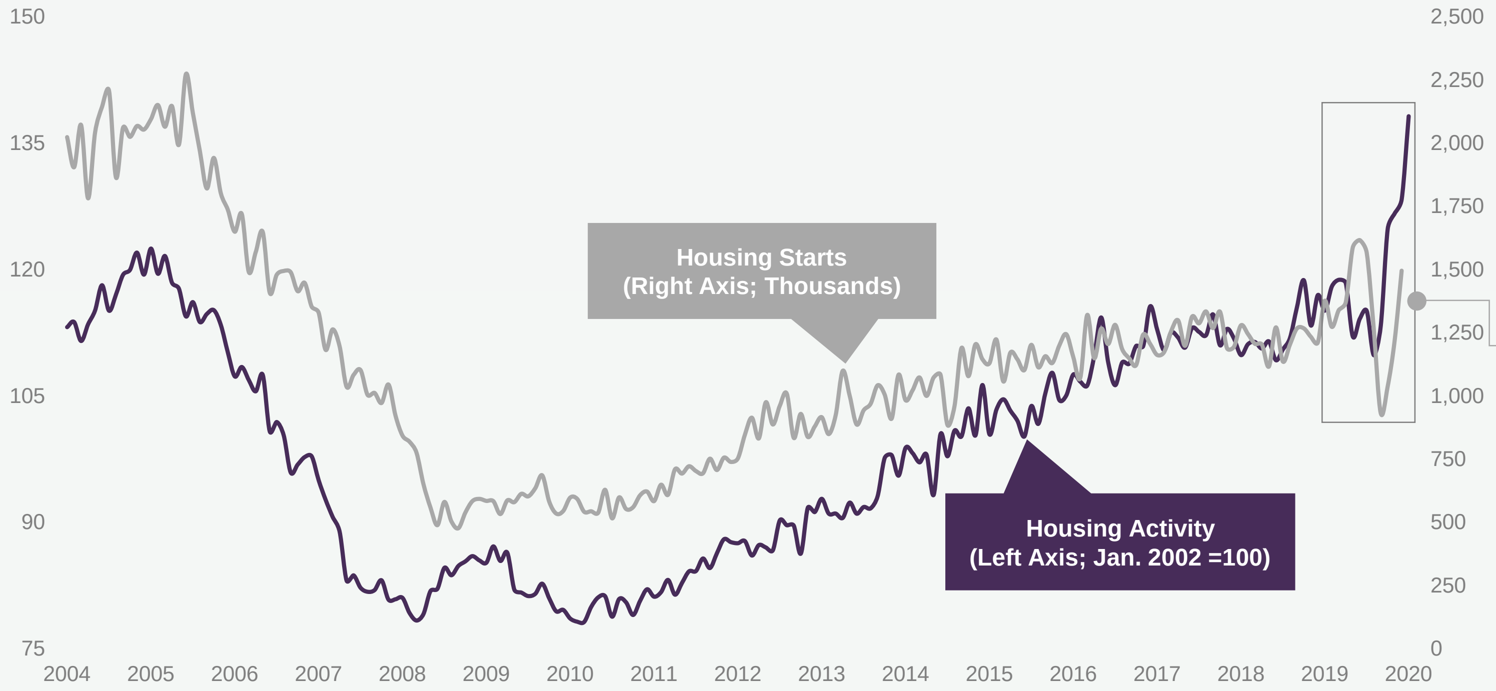
LegalShield LAW INDEX

LegalShield Housing Activity Index

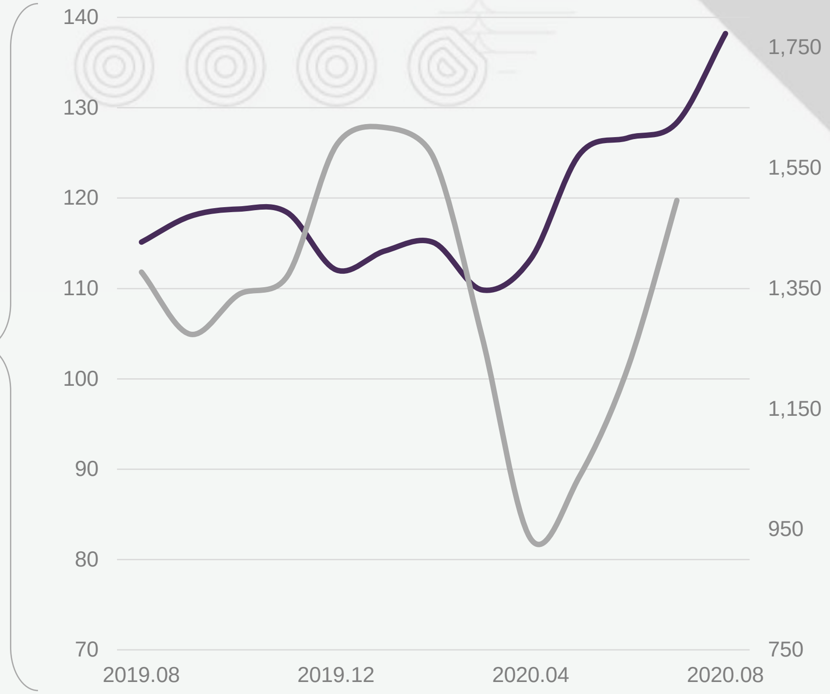
Headline: The LegalShield Housing Activity Index surged to an all-time high for the fourth month in a row, pointing to strong homebuilding activity in the months ahead.

Trends in Context: The LegalShield Housing Activity Index surged nearly 10 points to 138.2 in August, the highest level on record. Meanwhile, housing starts spiked 22% in July — the third consecutive month of double-digit growth — and are 8.6% above year-ago levels. As demonstrated by LegalShield and broader economic data, the housing sector remains a bright spot in the economy. The NAHB/Wells Fargo Housing Market Index improved 6 points to the highest level on record, in part due to improved building prospects in the suburbs and exurbs. Meanwhile, residential construction employment has grown over 14% from April and is now only 3% below February levels, a significantly stronger jobs recovery than has occurred in most other sectors. Another sign of robust demand is the price of lumber, which is now more than double mid-April levels after peaking at an all-time high in mid-August. Overall, LegalShield expects continued strong growth in the housing market in the months ahead.

HISTORICAL TREND OVER PAST 16 YEARS



MOVEMENT OVER PAST 24 MONTHS



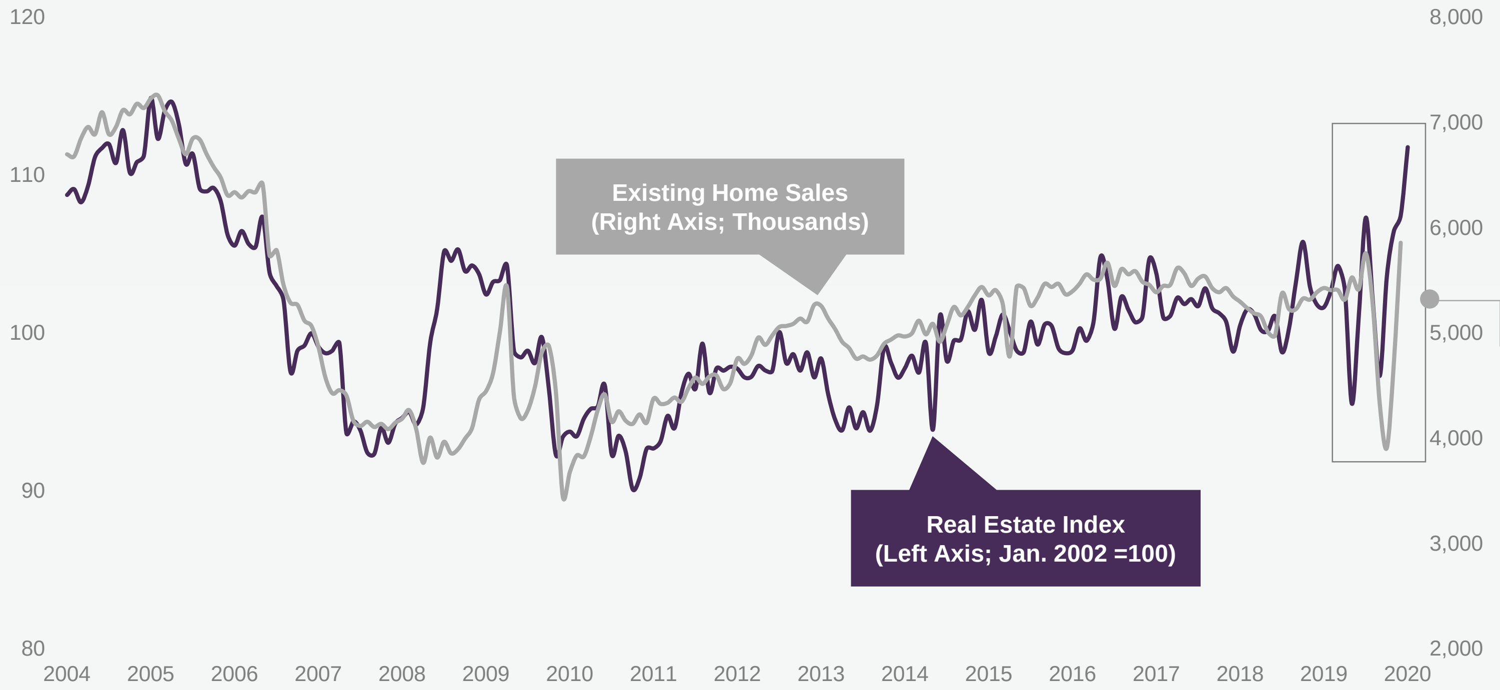
Source: LegalShield; Census Bureau; Census Bureau (X-13ARIMA-SEATS Seasonal Adjustment Program).

LegalShield Real Estate Index

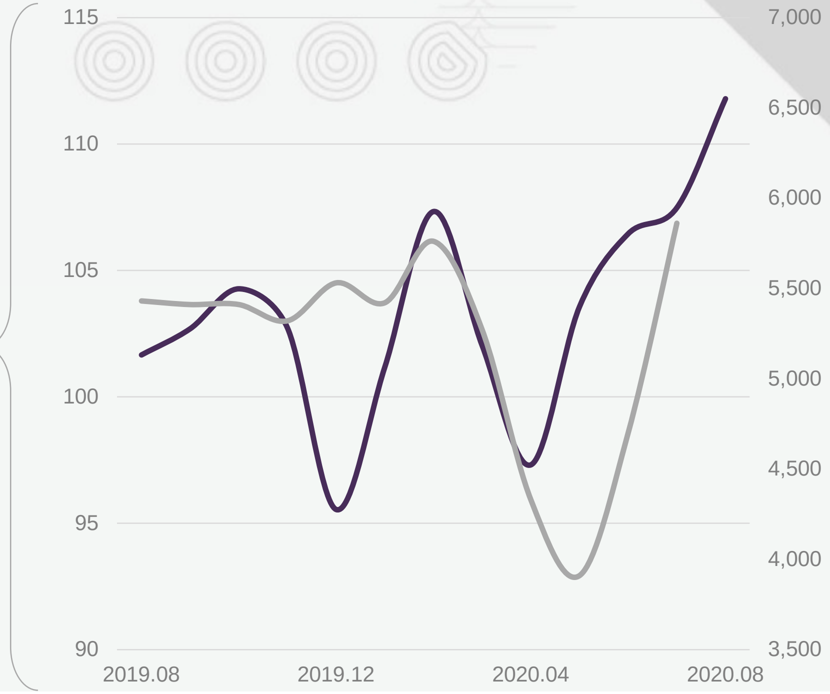
Headline: The LegalShield Real Estate Index improved to the highest level in nearly 15 years, in line with a resurgence in existing home sales. Low borrowing costs and strong demand have spurred real estate activity, though rising home prices may become a headwind

Trends in Context: The LegalShield Real Estate Index improved 4.3 points in August to 111.8, its strongest reading since late 2005. Meanwhile, after plummeting in the spring, existing home sales surged 25% in July and are now 8% above year-ago levels, an increase LegalShield data have been signaling for several months. Demand for single-family homes — fueled by sub-3.0% mortgage rates — has reached a fever pitch. Mortgage applications have surged 33% year-over-year according to the Mortgage Bankers Association, while over 60% of banks reported stronger demand for GSE-eligible mortgages (i.e., loans that meet the underwriting guidelines and loan limits set by Fannie Mae and Freddie Mac) in Q2, according to the latest Fed Senior Loan Officer Survey. This surge in residential borrowing has fueled a frenzy of homebuying activity in lower-population-density areas. For example, data from Miller Samuel Real Estate points to a 44% year-over-year jump in home sales in the suburbs surrounding New York City, while July sales of new homes are up 36% nationally compared to a year ago. Although the strong rebound in housing demand has been a key bright spot in the economy this year, it has also driven prices up 8.5% from July 2019 to July 2020, which could price some people out of the market.

HISTORICAL TREND OVER PAST 16 YEARS



MOVEMENT OVER PAST 12 MONTHS



Source: LegalShield; National Association of Realtors; Census Bureau (X-13ARIMA-SEATS Seasonal Adjustment Program).

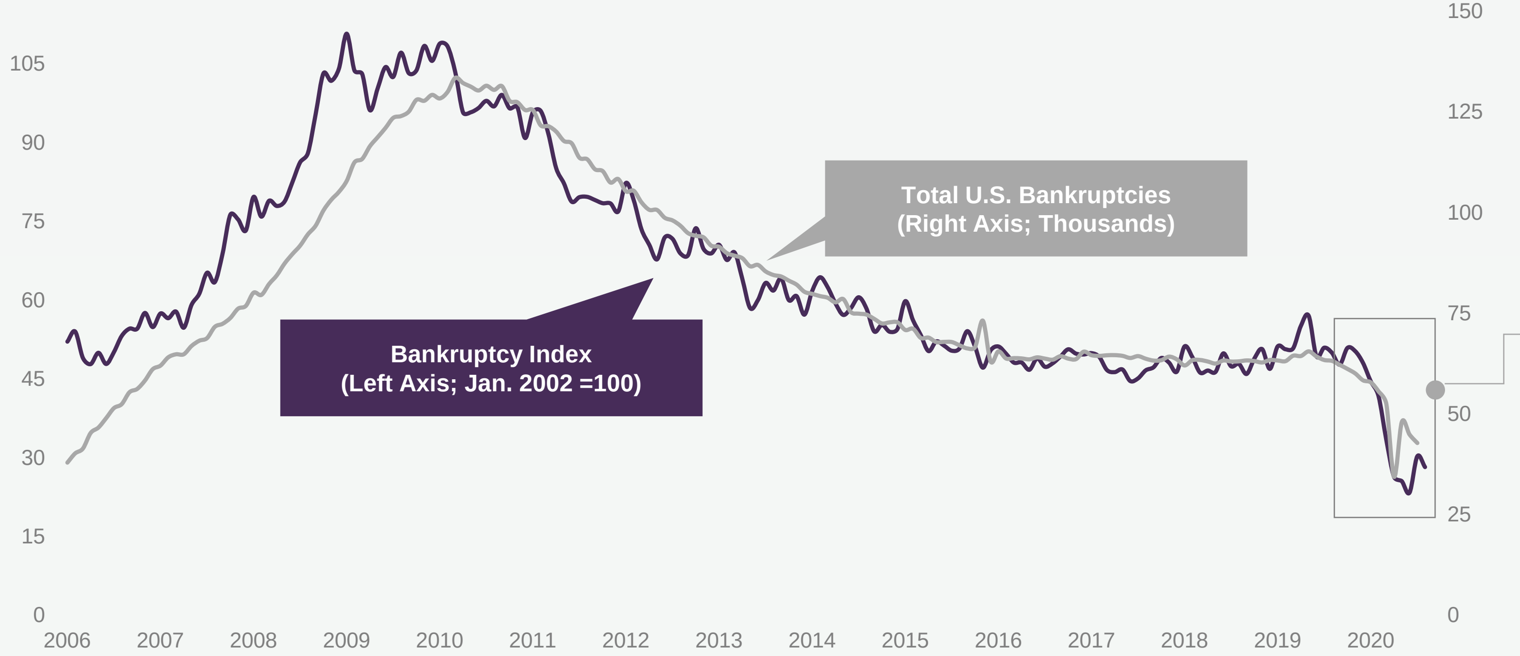
LegalShield Bankruptcy Index

Headline: The LegalShield Bankruptcy Index ticked down in August. Although bankruptcy activity is still muted, there are signs of rising stress throughout the economy.

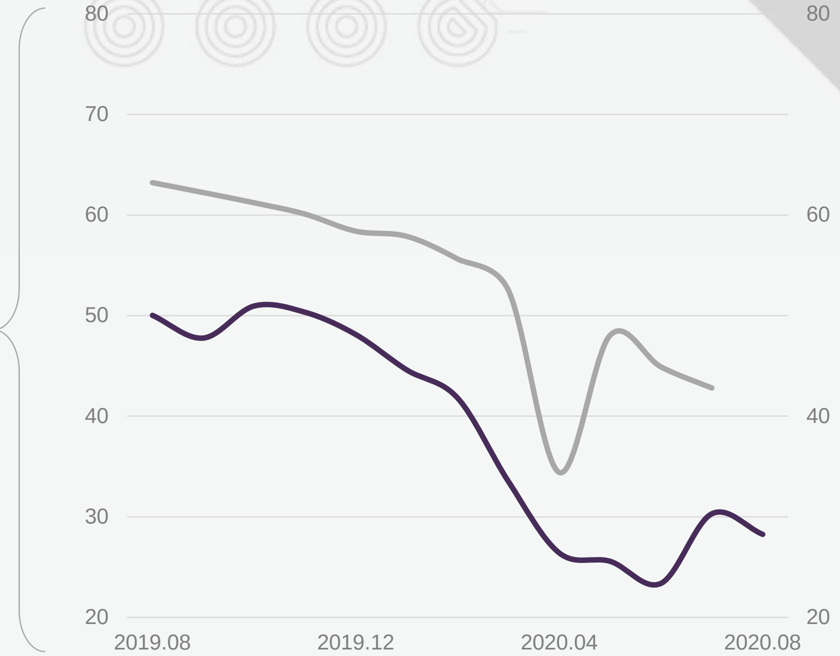
Trends in Context: The LegalShield Bankruptcy Index eased (improved) 2.1 points to 28.2 in August, remaining well-below pre-pandemic readings. Meanwhile, total U.S. bankruptcies eased in July and are down 32% from July 2019. A month after the expiration of key CARES Act provisions, most notably the additional $600/week in federal unemployment (UI) benefits, bankruptcy pressures remain muted. Enhanced UI has undoubtedly helped, as Americans who have lost their jobs due to the pandemic-fueled recession are at greatest risk of financial stress. Another factor is the $1200 Economic Impact Payments, the bulk of which most Americans either saved or used to pay down debts according to a recent study published by the National Bureau of Economic Research.

Although bankruptcy activity is subdued, there are worrying signs on the horizon. For example, a TransUnion survey suggests that 77% of individuals affected by the pandemic are concerned about paying bills and loans, with the average budget shortfall being roughly $875. Older Americans are particularly at risk: according to the New School Retirement Equity Lab, nearly 3 million people aged 55–70 have left the work force since March, with an additional 1.1 million expected to exit by November. This cohort holds roughly 40% of household debt, per the New York Fed. Although a partial extension of enhanced UI benefits should provide relief for those who qualify, its distribution has been delayed and participation is uneven across states. Without further income support or debt relief, bankruptcy activity will almost certainly rise in 2021, though LegalShield data suggest a near-term increase is unlikely.

HISTORICAL TREND OVER PAST 14 YEARS



MOVEMENT OVER PAST 12 MONTHS



Source: LegalShield; Epiq Systems (X-13 ARIMA-SEATS Seasonal Adjustment Program).

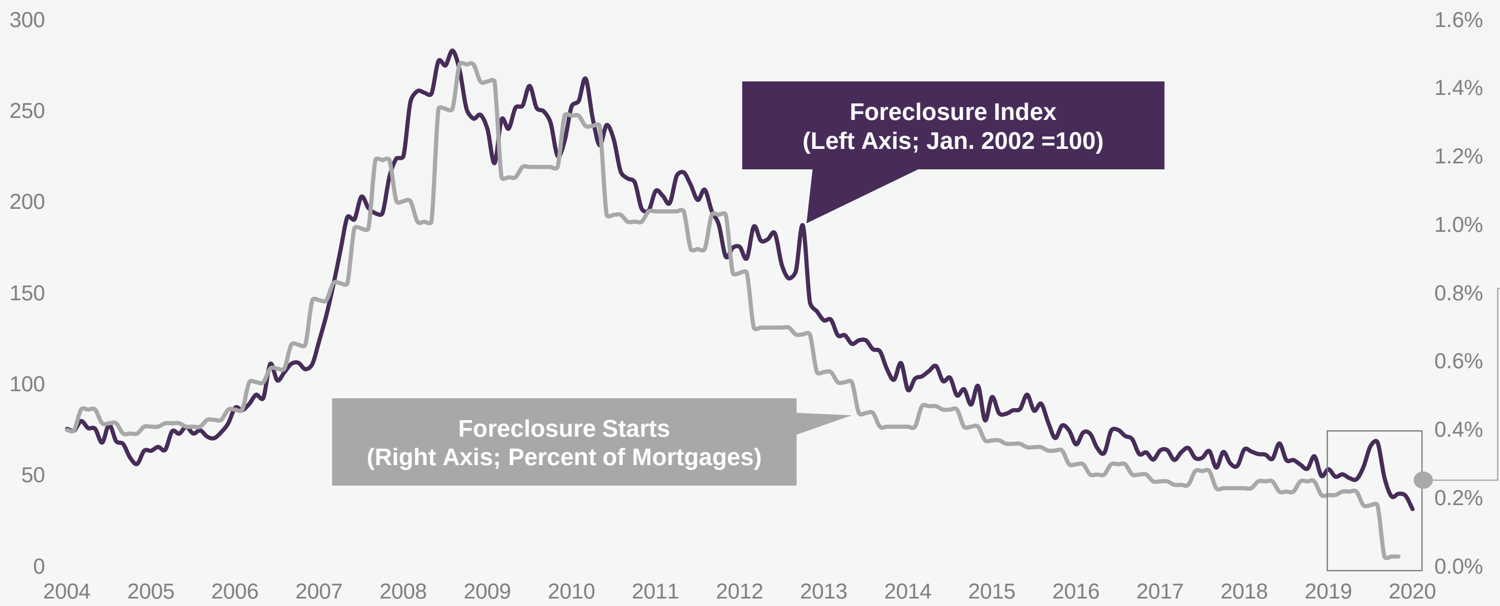
LegalShield Foreclosure Index

Headline: The LegalShield Foreclosure Index fell to an all-time low, signaling that foreclosure activity should remain muted in the short term.

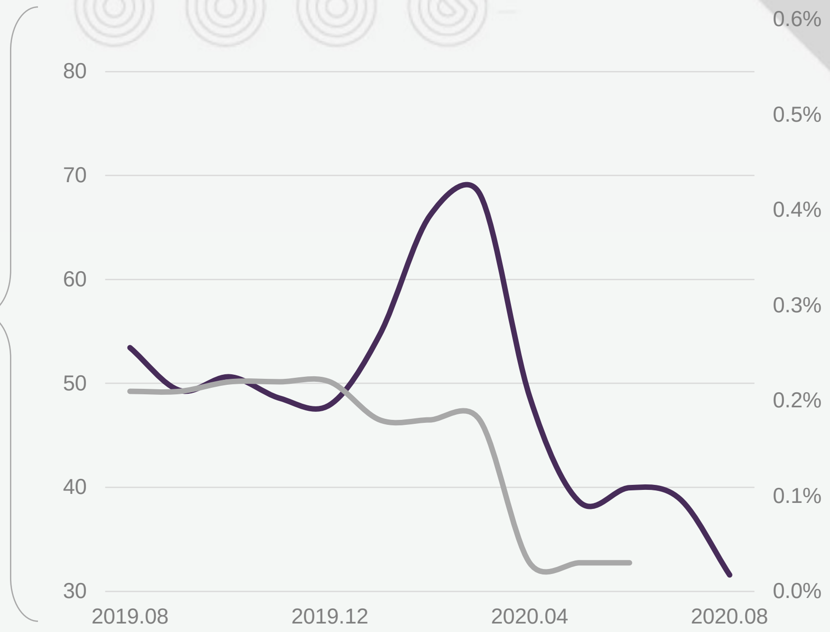
Trends in Context: The LegalShield Foreclosure Index fell to 31.6 in August, an all-time low. Likewise, second quarter foreclosure starts fell 16 basis points to an all-time low of 0.03% due to foreclosure and eviction moratoria on federally backed mortgages. There is little doubt that suspending evictions and foreclosures has achieved its desired outcome thus far, as the number of foreclosure starts was pushed to an all-time low of 24,000 in the second quarter. Payment deferral and forbearance programs have also provided homeowners with tremendous relief on mortgage payments: the New York Fed reports that the share of mortgage accounts that transitioned from “30-60 days delinquent” to “current” spiked from 37.4% to 61.1% in Q2.

However, as with other measures of consumer financial stress, there are worrying developments on the horizon. For example, the share of delinquent FHA-backed mortgages (which are designed for low income and minority borrowers) rose to a 40-year high of 16% in Q2, according to the Mortgage Bankers Association. Meanwhile, nearly one-third of tenants who rent from “mom and pop” landlords were unable to pay their August rent, according to a survey by Avail, causing these landlords to dip into savings to remain current. While the recent extension of the moratorium on foreclosures for GSE-backed mortgages should keep foreclosure activity subdued for the time being (as indicated by LegalShield data), there is concern that foreclosures may rise next year given the high rate of joblessness.

HISTORICAL TREND OVER PAST 16 YEARS



MOVEMENT OVER PAST 12 MONTHS



Source: LegalShield; Mortgage Bankers Association.

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