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

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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.

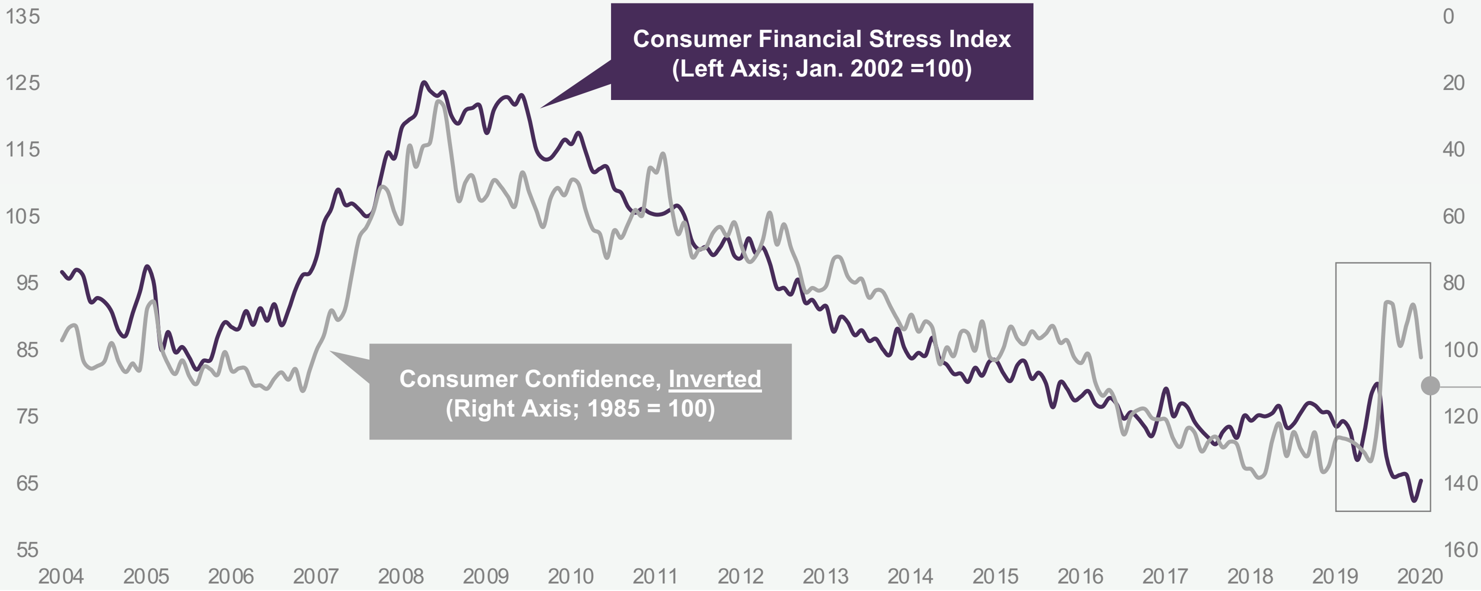
LegalShield Consumer Financial Stress Index

The LegalShield Consumer Financial Stress Index worsened slightly in September but remains historically low. However, there are signs that the financial situation for many consumers may be worsening.

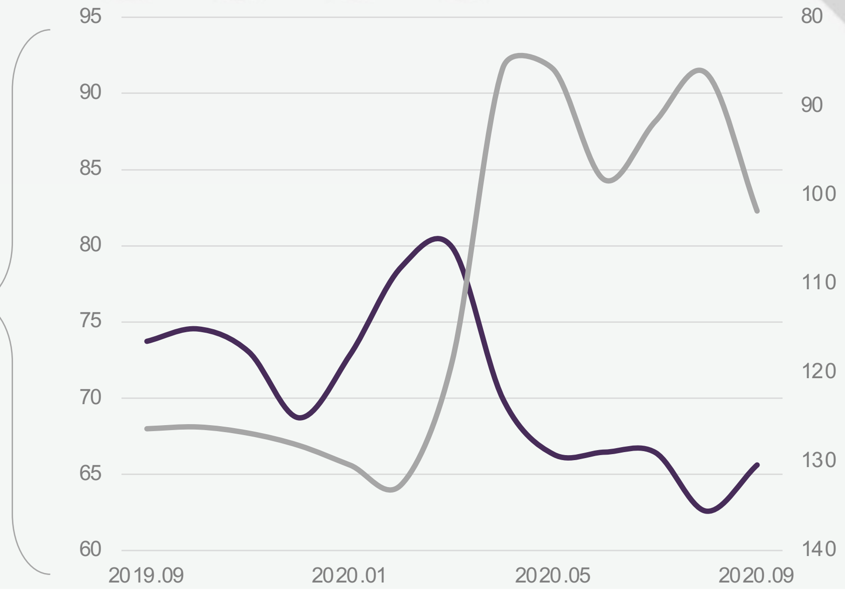
The LegalShield Consumer Financial Stress Index increased (worsened) 3.0 points in September to 65.0, though this is still the second-lowest reading ever. The Conference Board's Consumer Confidence Index experienced its sharpest monthly increase in 17 years, jumping 15.5 points to 101.8 in September (though this is still 30 points below pre-pandemic levels). Although rising consumer optimism is a positive sign, there are several signs that this improvement could be short lived. Unemployment remains high, and private sector job growth slowed again in September. Only half the jobs lost in March and April have returned, and a full labor market recovery is unlikely until 2022. Personal income fell 2.7% in August as enhanced unemployment benefits expired, though it is still 2% above February levels, reflecting trillions in fiscal stimulus this spring and summer. 42% of small and medium businesses have reduced payrolls to mitigate financial risk from the pandemic, and more than half of small business report having only 2 months of cash on hand for normal operations.

Given these concerns, it is unsurprising that consumers remain guarded: JP Morgan Chase reported that card spending was down 6.5% year-over-year as of mid-September, while data from Affinity Solutions and Opportunity Insights shows that spending is down 3.8% from January. Despite recent movement, the prospects of additional federal stimulus before the election appear remote and consumers' financial prospects remain fragile, particularly among the nearly 25+ million Americans currently receiving unemployment benefits. Absent additional assistance measures, financial stress is likely to rise in the months ahead.

HISTORICAL TREND OVER PAST 16 YEARS



MOVEMENT OVER PAST 12 MONTHS



Source: LegalShield; The Conference Board.

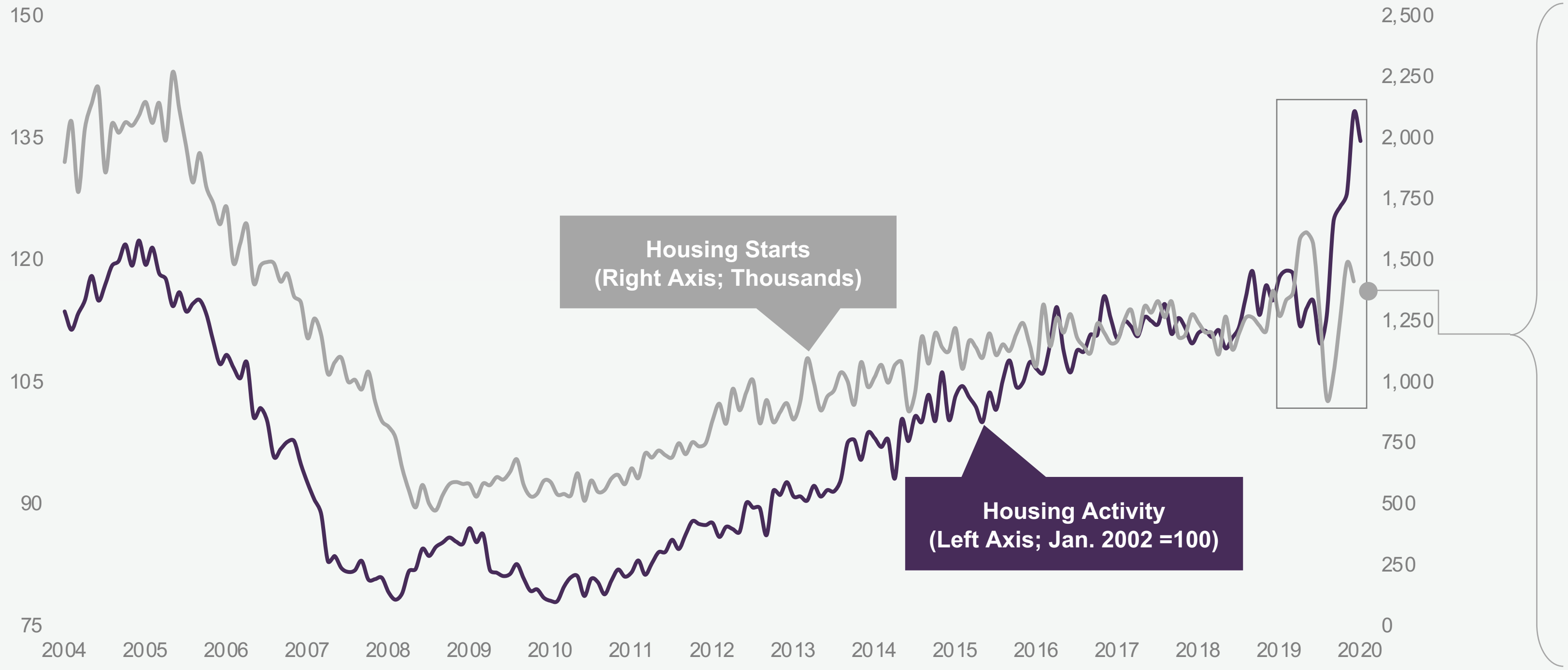
LegalShield Housing Activity Index

The LegalShield Housing Activity Index ticked down in September, though its current position points to strong housing activity for the coming three to six months.

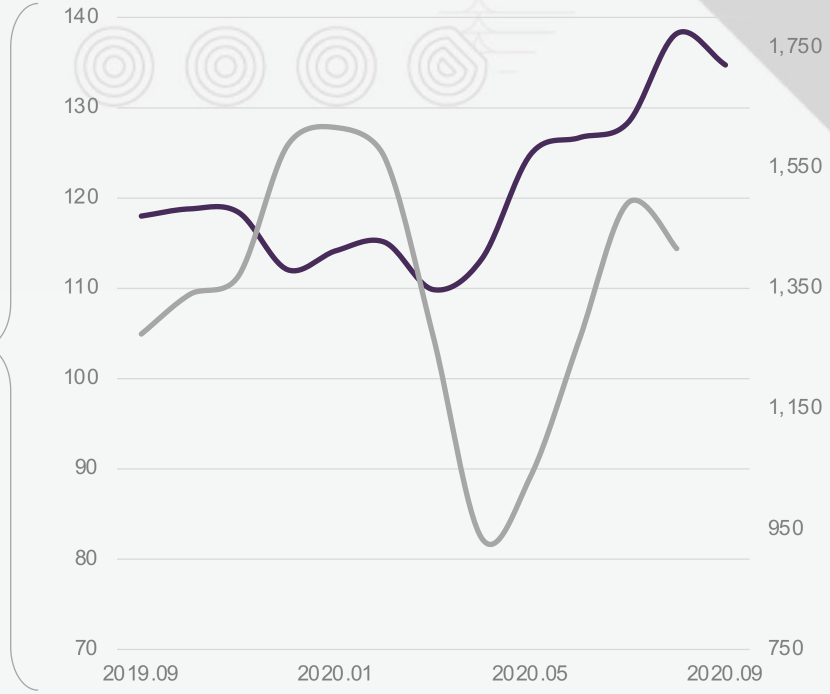
The LegalShield Housing Activity Index eased 3.5 points from an all-time high in August to 134.7 in September, driven by increased foreclosure intakes. Meanwhile, housing starts decreased 5.1% in August but remain 2.8% above year-ago levels. The preponderance of data, in addition to LegalShield's Housing Activity Index, points to a robust homebuilding sector. For example, the NAHB/Wells Fargo Housing Market Index reached an all-time high for the second consecutive month in September, while single-family housing starts grew 4.1% in August and single-family building permits grew 6%.

Although demand for single-family homes is at a level not seen in more than a decade, headwinds remain. A shortage of lumber stemming from reduced domestic production and tariffs on imports have caused lumber prices to surge to record-highs in recent months, which is estimated to have added an additional $16,000 to the average new single-family home. Nonetheless, broader economic conditions and LegalShield data point to a sustained rebound in homebuilding activity over the next three to six months.

HISTORICAL TREND OVER PAST 16 YEARS



MOVEMENT OVER PAST 24 MONTHS



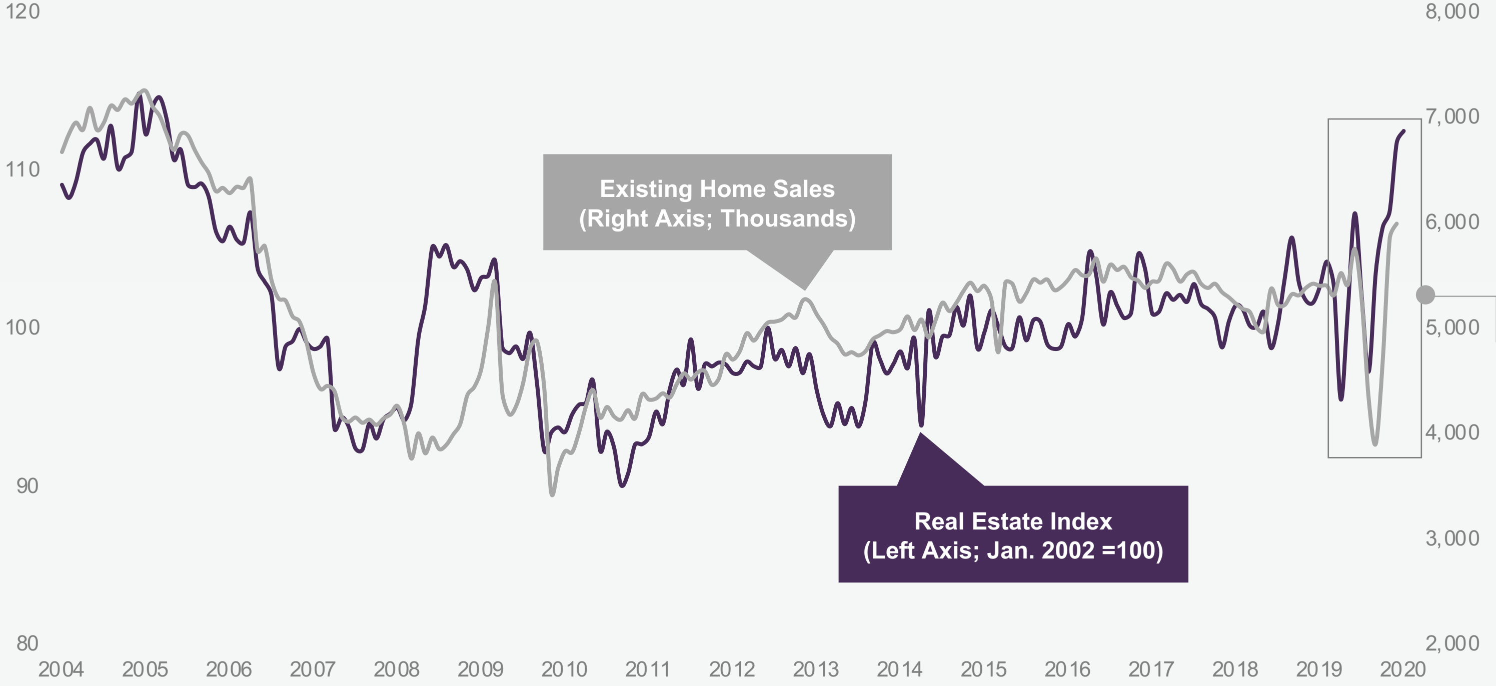
Source: LegalShield; Census Bureau; Census Bureau (X-13ARIMA-SEATS Seasonal Adjustment Program).

LegalShield Real Estate Index

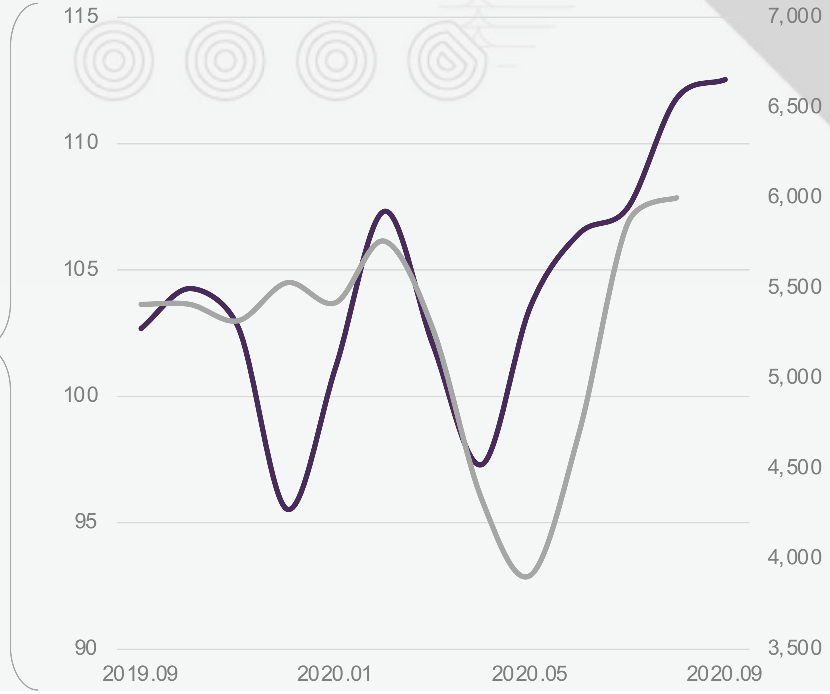
The LegalShield Real Estate Index edged up in September and is at the highest level since late 2005, indicating continued strength in real estate activity.

The LegalShield Real Estate Index ticked up 0.7 point in September to 112.5, the strongest reading since late 2005. Meanwhile, existing home sales rose another 2.4% in August to the highest level since late 2006. Demand for single-family homes remains robust: the National Association of Realtors reports that pending home sales were up nearly 9% in August and are more than 20% above levels from one year ago. Meanwhile, new home sales are up 43% year-over-year nationally and have risen by 50% or more in the South and Midwest over the last twelve months. While the current buying frenzy — driven by sub-3% mortgage rates and, among some buyers, a desire for larger homes in the suburbs and exurbs that are more conducive to working remotely — is causing prices to rise rapidly, the growth trend appears to be sustainable. For example, the Mortgage Bankers Association's Mortgage Credit Availability Index is at its lowest since March 2014 and is well below levels seen in 2006, largely due to regulatory and legislative changes from the last recession. Although the homebuying landscape may be pricing some potential buyers out of the market, the preponderance of data suggests that robust real estate activity will continue in the coming months.

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).

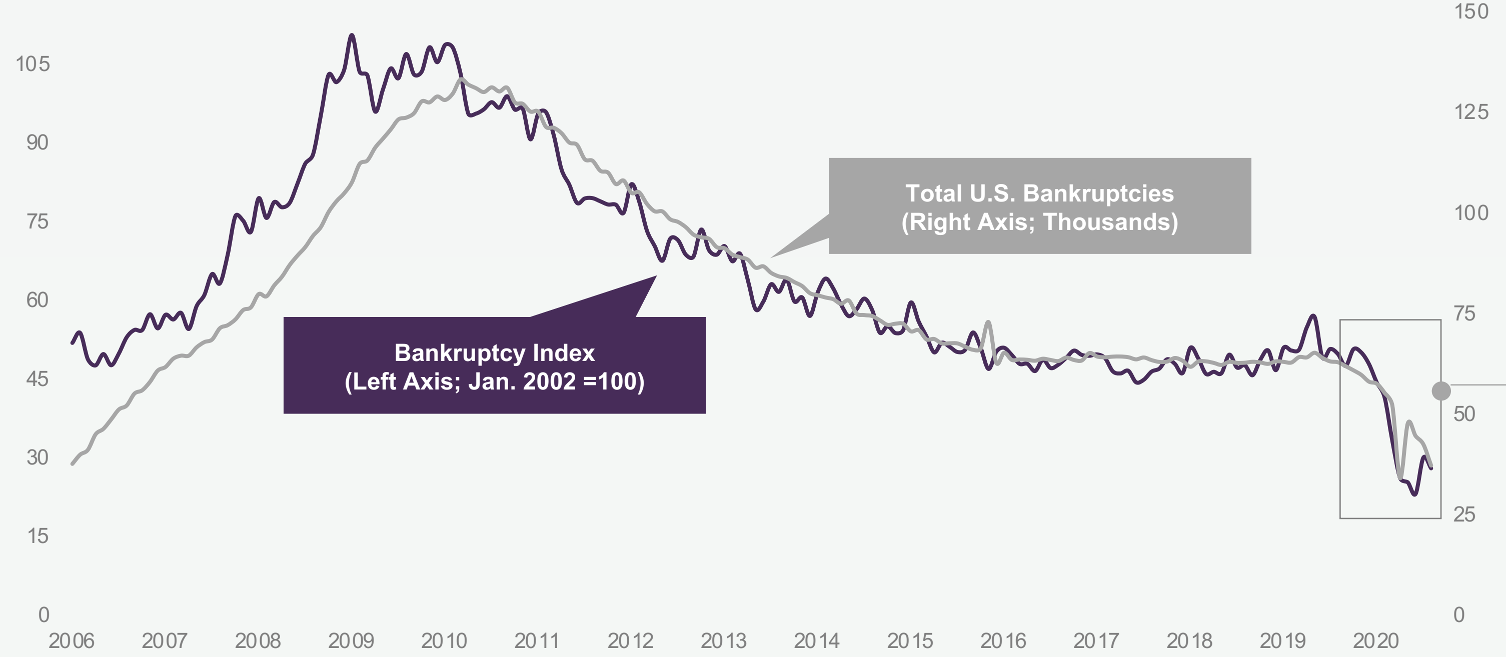
LegalShield Bankruptcy Index

The LegalShield Bankruptcy Index, a forward-looking indicator of bankruptcy filings, was mostly unchanged this month and remains well-below levels seen prior to the pandemic, suggesting that a spike in bankruptcy activity is unlikely in 2020.

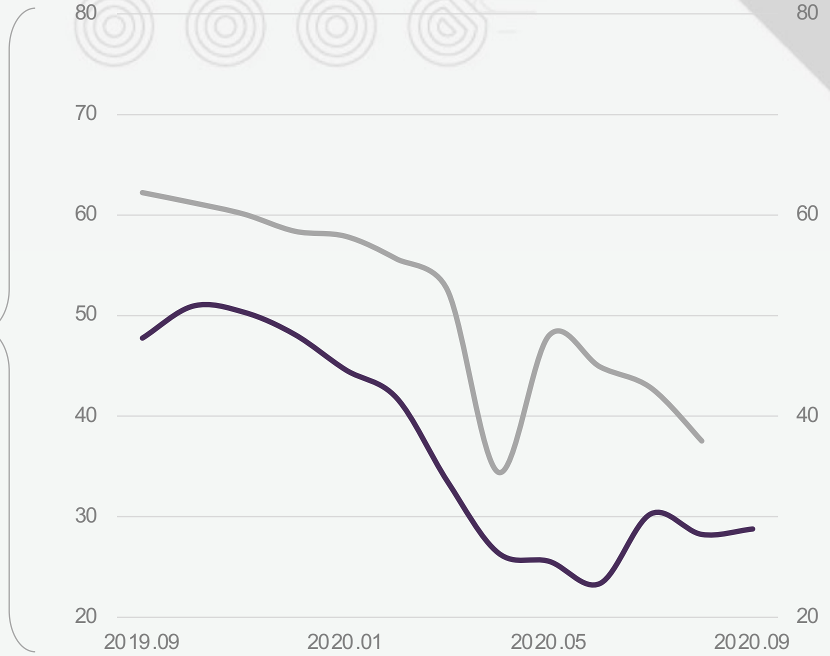
The LegalShield Bankruptcy Index inched up (worsened) 0.6 point to 28.8 in September, though it remains historically low. Meanwhile, total seasonally adjusted U.S. bankruptcies fell 12% in August. The consumer debt environment remains surprisingly healthy due to unprecedented federal stimulus measures and payment assistance programs from lenders. Indeed, most loan categories are exhibiting low stress after despite the expiration of expanded unemployment insurance payouts in August. For example, delinquency rates on credit card debt declined across the board at six major issuers in August, and the average charge-off rate rose only 12 basis points over the same period but is 9 basis points below year-ago levels. Likewise, auto loans have held strong, as Ally Financial reported that only 4% of auto loans are 30 days delinquent and only 7% of loans in forbearance slid into delinquency, while Capital One's delinquency rate on auto loans was 260 basis points below year-ago levels.

Though consumers have held their own to date, Americans are coming due on debt and the labor market recovery is slowing. Though bankruptcies are expected to rise as payment assistance measures expire, that rise is not imminent — and if Congress approves an additional round of fiscal stimulus over the coming weeks, bankruptcies may remain muted for even longer.

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

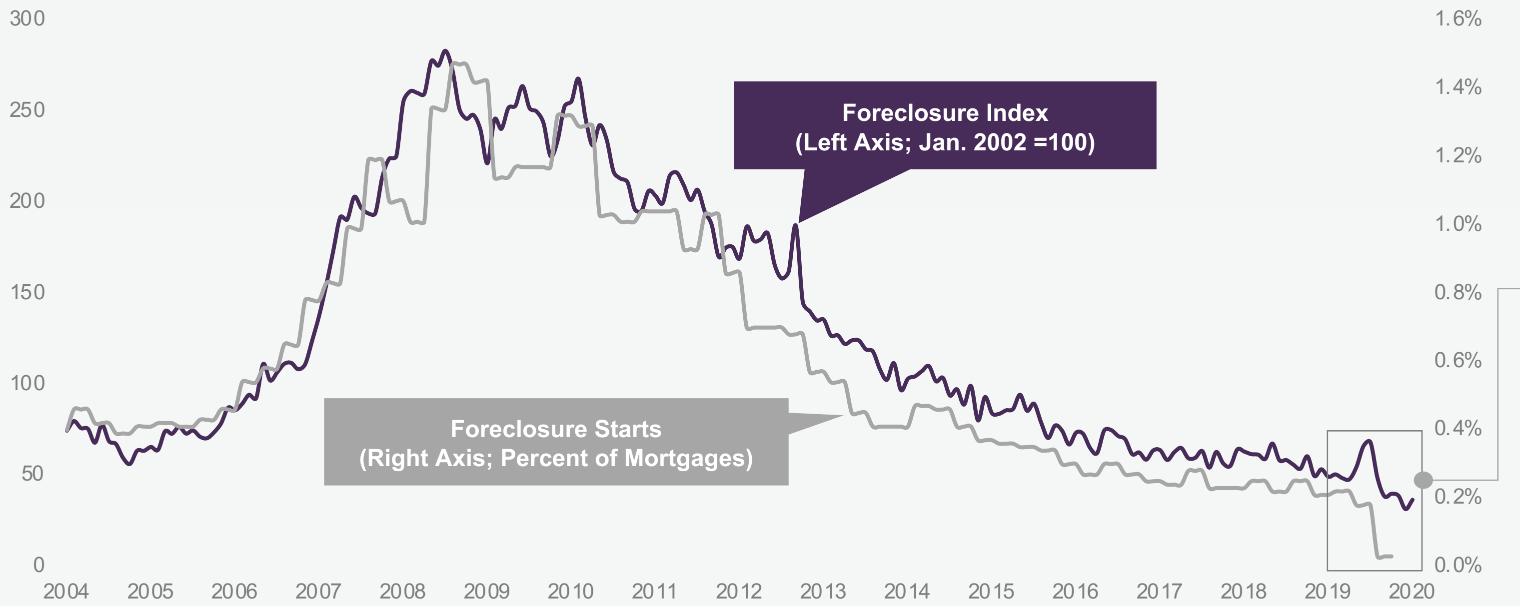
The LegalShield Foreclosure Index rose in September but is still pointing to muted foreclosure activity — at least until relief programs expire.

The LegalShield Foreclosure Index rose 5.1 points from an all-time low to 36.7 in September. Second quarter foreclosure starts fell 16 basis points to an all-time low of 0.03%. The near-absence of foreclosures in the second quarter was largely due to a Federal Housing Administration moratorium on foreclosures of federally-backed single-family mortgages, as well as widespread availability of payment deferral programs. These programs continue to provide an invaluable lifeline for consumers most affected by the recession: Caliber Home Loans reports that 42% of their customers who entered a forbearance plan in April are seeking an extension.

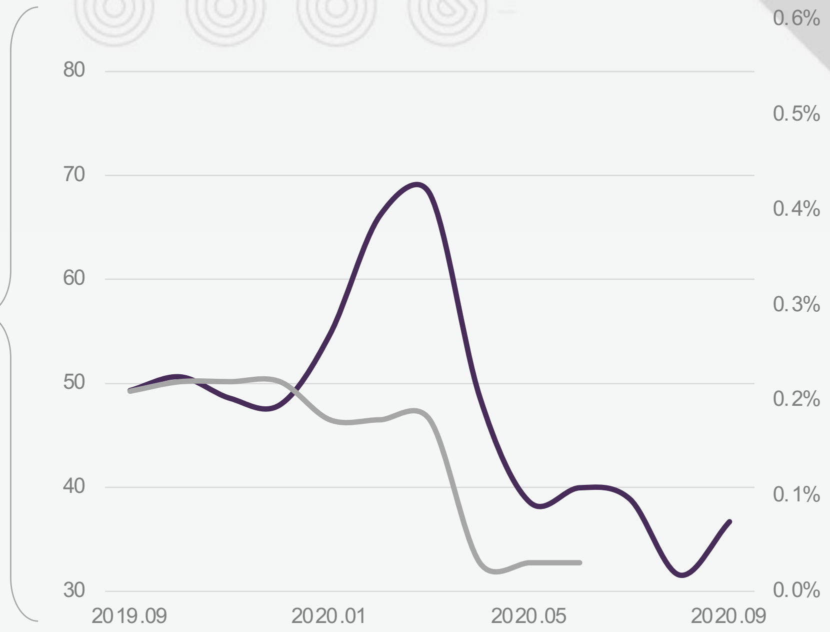
However, these programs are a double-edged sword: while they have helped keep consumers in their homes even if they cannot pay their mortgage, the programs will expire at the end of the year even as unemployment is likely to remain elevated. This could result in a deluge of delinquencies and, eventually, foreclosures. Indeed, according to the U.S. Census Bureau's Household Pulse Survey, one-third of U.S. adults live in households where eviction or foreclosure in the next two months is either very likely or somewhat likely. Black Knight reported that as of August there were 2 million more borrowers in 90+ day delinquency than at the beginning of the pandemic.

Though LegalShield data do not suggest that foreclosure activity will increase in the near-term, unless further relief is provided to mortgage borrowers, foreclosure activity could surge when temporary measures expire.

HISTORICAL TREND OVER PAST 16 YEARS



MOVEMENT OVER PAST 12 MONTHS



Source: LegalShield; Mortgage Bankers Association.

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