

# New-market disruption in the legal industry

A study of the market for home ownership  
change insurance in Norway

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A study of the market for home ownership change insurance in Norway



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## Abstract (English)

This thesis investigates the role of home ownership change insurance companies in relation to law firms' services within the niche of handling claims for home sellers. Based on a review of literature on disruptive innovation the thesis presents a study of cases in Oslo District Court and the Norwegian Courts of Appeal from the years 1993 until 2013. In addition available figures from the Norwegian insurance company Protector is presented. The sets of cases from the courts showed that from the Home Ownership Act was introduced in Norway in 1993 the number of cases increased gradually until 2000, while all sellers were represented by law firms. Then HOC insurance companies gradually displaced law firms during the years from 2001 to 2013. The substitution process started out in the middle and lower segment of the market, while law firms have kept many of the clients with the most expensive houses. The introduction of HOC insurance in Norway was characterized by the entrance of several providers, and many of them quit the market before 2004 because of bad profitability and negative publicity. In 2013 only a few, but profitable HOC insurance companies were left. The analysis shows that the claims handling done by HOC insurance companies do not differ much from the work performed in law firms. The market around 1995 for law firms' services within this niche was around 50 MNOK and the market for HOC insurance in 2012 was around 800 MNOK, thus a 20 fold potential for both incumbents and entrants. This new market has been captured by a new industry, which has positioned itself between law firms and insurance companies.

This thesis recommends future potential legal service providers to examine niches of legal work. Especially if there can be identified a segment of the market that has an unmet legal need in the lower end. The story of the Norwegian HOC insurance companies showed that the innovation itself were not unattainable to law firms. It was the business model that caused the problems. Existing law firms should watch innovations within legal niches, and claim their part of the new types of legal work that will be performed in the future. To have the greatest odds to succeed, they should choose the appropriate business model and organization within each niche. It is illustrating for the potential of legal innovation that the new market described in this thesis generates more revenue than the largest Norwegian law firm. Law firms should also be aware of thinking that the existence of the traditional way of competing means that disruption does not address them, or that the process of disruption stops at a certain percent of

the market. To make the theory of disruption more applicable on the legal and similar industries, more research should be done to understand which circumstances that affect the substitution process for this type of services.

### **Abstract (Norwegian)**

Denne oppgaven tar for seg eierskifteforsikringen sin påvirkning på norske advokatfirmaer sitt marked for krav oppstått ved salg av bolig. Basert på en gjennomgang av litteratur om disruptiv innovasjon presenteres studier av saker ført ved Oslo Tingrett og de norske lagmannsrettene fra 1993 til 2013. Den inneholder også en sammenstilling av data om eierskifteforsikring fra forsikringsselskapet Protector sine årsrapporter. Dataene fra domstolene viser at fra avhendingsloven ble innført i 1993 og frem til 2000 økte antall saker, og alle sakene ble ført av tradisjonelle advokatfirmaer. I perioden fra 2001 til 2013 ble advokatfirmaene i en betydelig grad fortrent av eierskifteforsikringsselskapene. Utviklingen skjedde raskest i det lavere og midtre sjiktet av markedet, mens advokatfirmaer klarte å holde på mange av klientene med de dyreste boligene frem mot 2012. Introduksjonen av eierskifteforsikring i Norge var preget av mange nykommere som forsøkte å etablere seg med denne typen forsikring, men flere av dem kuttet ut produktet på grunn av dårlig lønnsomhet og negativ omtale i pressen. I 2013 var det kun noen få aktører igjen, men disse var til gjengjeld lønnsomme. Analysen viser at eierskifteforsikringsselskapenes skadesaksbehandling ikke skiller seg vesentlig fra jobben som ville blitt gjort i et tradisjonelt advokatfirma. Rundt 1995 var det et estimert marked på ca 50 MNOK, mens markedet i 2012 er estimert til omtrent 800 MNOK. Dette markedet har i stor grad tilfalt eierskifteforsikringsselskapene, som har posisjonert seg mellom advokatfirmaer og forsikringsselskaper.

Innovative juridiske tjenestetilbydere anbefales å fokusere på nisjer innenfor juridiske tjenester. Det antas at det er størst potensial der det finnes et latent udekket marked, noe som ofte finnes i det nedre sjiktet av det eksisterende markedet. Historien om de norske eierskifteforsikringsselskapene viste at innovasjonen i seg selv ikke adskilte seg i stor grad fra tradisjonell advokatvirksomhet, men at det var forretningsmodellen som gjorde at det nye

markedet ikke kom advokatfirmaene til gode. Eksisterende advokatfirmaer kan følge med på innovasjoner innenfor eksisterende og nye saksområder, og har muligheten til å ta en del av det juridiske arbeidet som vil bli utført der i fremtiden. For å ha størst mulig sjanse til å lykkes med dette bør de legge arbeid i utformingen av forretningsmodell og organisasjon innenfor hvert enkelt saksfelt, fremfor å forsøke å tilpasse nye saksområder til sin eksisterende organisasjonsstruktur. Det er illustrerende for potensialet til en slik tankegang at omsetningen for eierskifteforsikringer i dag er større enn omsetningen til det største norske advokatfirmaet. Eksisterende advokatfirmaer bør også være forsiktige med å tenke at eksistensen av tradisjonelle advokatfirmaer beviser at disruptiv innovasjonsteori ikke er relevant, eller at substitusjonsprosessen vil stoppe ved en viss markedsandel. For å gjøre disruptiv innovasjonsteori mer anvendelig for juridisk tjenesteyting og lignende tjenester, bør det gjøres mer forskning for å forstå hvilke omstendigheter som påvirker substitusjonsprosessen for denne type tjenester. Dette er kunnskap som eksisterende firmaer og bransjeorganisasjoner ville kunne ha god nytte av.

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## 1 Introduction

In this thesis I will explain the growth and development of the Norwegian market for home ownership change (HOC) insurance and its impact on the market for legal services, through the lens of disruptive innovation. HOC insurance is an insurance against potential claims from the buyer of a property. This type of insurance was introduced as a new product in Norway around 1996/97 and is today sold to around 80% of home sellers. The research questions are “Is home ownership change insurance disruptive to law firms within the field of home ownership change claims” and “If disruptive, how fast has the disruption happened within this field.” This is examined through an archival analysis of Norwegian legal records of HOC cases from 1993 until 2013. In addition I have gathered figures from HOC insurance companies. The resulting data can indicate whether the HOC insurance companies have taken work from law firms and/or if they are serving a new market. In addition to start out by taking the lowest-margin work from existing firms, a disruptive innovation typically is simpler and more convenient accessible than the old product. As proposed in the title of the thesis HOC insurance can be a new-market disruptive innovation, which means that it first directs a type of consumers that did not use the old version of the product (in this case law firms). The thesis will also give a description of the evolution of a market for HOC insurance in Norway. If the theory of disruptive innovation explains what happened here, this could also help explaining why some of the entrants in this market failed and why others succeeded.

In the early days of this industry in Norway some early entrants, which were large international and Norwegian insurance companies, tried, but did not succeed with their attempts of selling this type of insurance profitably and quit the market before it took off. The actors that remained were smaller, more specialized providers of insurance products. After that the market for HOC insurance took off, Norwegian insurance companies have introduced similar insurance schemes within other legal areas. Contributions to understand the development within home ownership insurance could therefore be useful when analyzing similar insurance schemes and other services or business models, possibly disruptive to other legal fields of practice.

Innovation and industry change have for a long time been valued areas of knowledge for both practitioners and researchers. Businesses that launch new products and services, thereby

imposing change, can improve their position in relation to competitors or enter markets with none or only a few competitors. If consumers embrace the change this will normally be reflected in the business' revenue. Innovation is also considered beneficial for consumers and the society as a whole, as it is bringing forward technical and social improvements.

Schumpeter (1934) remarked the role small, entrepreneurial firms had in the economy when it came to the introduction of new products and technologies. Later he observed that large established firms with greater power had advantages over small firms and new entrants, for example skills, capital and monopoly power (Schumpeter, 1942). Regarding innovation Schumpeter (1942) addressed the dynamics of economics and capitalism and came up with the term creative destruction for the never ending process of renewal in the capitalistic system. Radical versus incremental innovation was an early and popular categorization that formed the discussion on technological change. Other categorizations were competency-enhancing and competency-destroying technological changes (Tushman & Anderson, 1986) and modular versus architectural innovations (Henderson & Clark, 1990). Modular and architectural innovations are respectively innovations in the core of one of the modules of the product, or in the links between the modules.

As a response to anomalies to the work of Henderson and Clark (1990) Christensen (1997) introduced the distinction disruptive versus sustaining innovation. After first being framed as a technological phenomenon called disruptive technology, it was later reframed as disruptive innovation, as changes in the business model was considered being the most crucial element of the theory (Christensen & Raynor, 2003). Disruptive innovation theory has shown to have severe implications for businesses facing disruptive innovations and entrants exploiting them.

Disruptive innovation theory has been applied on a wide range of industries and public services, for example educational- and health services. Christensen, Horn, and Johnson (2008) question the existing model for educating students in batches in a standardized way. They suggest that we will see 50% computer-based learning by 2020. Christensen, Grossmann, and Hwang (2009) address some of the main problems facing health care in the US. Disruptive innovation in the health sector is anticipated to follow a pattern where existing services offered in hospitals migrate to outpatient clinics, then doctors' offices and then patients' homes. While innovation in today's hospitals is sustaining in character, the other steps described will be of disruptive character for the hospitals. Lately Christensen has also proposed the legal and the consulting industry as industries where disruptive forces are present (Christensen, Wang, & van Bever, 2013). In the legal sector disruption is seen coming

from customers' in-house legal counsels, new legal providers and disruptive business models made possible by new technology. One of the most known futurists in the legal field, Richard Susskind (2010, 2013), promotes the technological possibilities of information technology, commoditization, outsourcing, external investment etc.

The motivation for this thesis is to try to position one legal field of practice in the landscape of disruptive innovation as done by other scholars in industries as steel manufacturing, semiconductor manufacturing, education and health care. The legal industry has long been proposed as facing disruption, but due to the intangibility and opacity of legal work and markets, it is difficult to quantify the impact this have had and potentially will have on the industry. Therefore it is also a motivation to give the insiders of the industry and the broader business community one clear example of how a shift in the legal industry, leaving law firms redundant, has happened. If the conclusion is that the disruptive framework cannot contribute to explain these industry-changes, it will also be a valuable result, being an anomaly, which might help to further improve the theory of disruptive innovation.

Through an earlier project thesis on the legal industry I explored the trends and forces in the legal industry in Norway. This led me to the insurance industry, and the growth in sales of home ownership insurance the last two decades. Intuitively it looked as these, often small, insurance companies to some extent had displaced the need for law firms and traditional legal services. This could be observed in the legal records of such cases where several claims were undertaken by insurance companies, and not by the house-sellers or their lawyers themselves. Some of these insurance companies used their own staff to litigate these cases, thereby leaving law firms redundant.

The thesis consists of three main parts; literature review, research methodology, and results and discussion. As this study mainly directs and tests the applicability of the disruptive innovation framework on home ownership insurance the theory part gives a complementary description of the theory of disruptive innovation. As the definition and scope of disruptive innovation are still heavily discussed by strategy scholars this part also includes the discussion and criticism that has evolved after the theory was proposed by Clayton Christensen in 1995. The research methodology part gives an overview and discussion of the study design. It will also describe and discuss the way the data was collected. The result part will present and analyze the collected data, the results and time-series. The results will be graphically presented to give a visual impression of the development, in the same way that the

development of disruptive innovations normally is presented. The last part of the thesis will be a conclusion and a discussion of the implications for scholars and practitioners.

## 2 Literature review

### 2.1 Disruptive innovations

The concept of disruptive innovation was first explored by Clayton Christensen and Joseph Bower in their article “Disruptive Technologies; Catching the Wave” (Bower & Christensen, 1995). They described the phenomenon as new, inferior technologies that disrupt established technologies. Later the theory was further explained in the book *The Innovator’s Dilemma* (Christensen, 1997). Christensen’s work was based on studies of the excavator- and disk-drive-industries, both of which went through severe transformation during several decades. Later the theory was developed to include services and business models, and the term disruptive innovation was found better to describe the phenomenon (Christensen & Raynor, 2003). The term “disruptive” has also been found unfortunate by Christensen, as it has several connotations and promotes different associations with people. In English it can for example mean “failure” or “radical” in addition to Christensen’s definition (Christensen, 2006, p. 42). Christensen remarks that this might be why some regard the phenomenon as defined post-hoc. An alternative name came from Grove (1998), that suggested that the phenomenon should be called the “Christensen Effect”. Regardless of this the term disruptive is now established within management theory, leaving the further development of the definition to the theory builders, even though it is still interpreted in many directions outside (and sometimes inside) academia.

The discussion about different categories of innovations, different competitive effects and the characteristics of innovative organizations has been heavily discussed since Schumpeter (1934, 1942). Before disruptive innovation theory the innovation literature to a great extent was concentrated on discussing different categorizations of innovation. Whenever an anomaly has been found in the old categories, new ones have been proposed. To a greater extent than previous scholars examining innovation Christensen (1997) focused on building a normative theory (Christensen, 2006). Through examining the anomalous instances to his categories, for example incumbent leaders that succeeded with disruptive technologies, he proposed building a predictive theory to help managers facing certain situations, and in given circumstances to predict which actions that would lead to the desired results. Through this he was able to reframe the problem and proposed that managing innovation was not a technology problem; it was a business model problem (Christensen, 2006).

Intuitively Schumpeter's (1942) well known notion of creative destruction may remind of disruptive innovation, or that disruption is the mechanism behind destruction or vice versa. While Schumpeter briefly described the phenomenon that new businesses replace old ones, Christensen went further and was able to state a circumstance based theory to help managers predict certain effects.

The distinction between small incremental improvements and significant new concepts has been an important part of the innovation literature (Mansfield, 1968; Moch & Morse, 1977). Incremental innovations imply only small changes to existing products or design. The literature was also built on observations that this category of innovations often reinforced the dominance of established firms (Henderson & Clark, 1990; Tushman & Anderson, 1986). Radical innovations are based on different sets of engineering and science and often opens up for new applications and markets. Radical innovation has been found to often create big difficulties for established firms (Henderson & Clark, 1990; Tushman & Anderson, 1986). Henderson and Clark (1990) even stated that this type of innovation could be the base for the successful entry of new firms or even the redefinition of an industry. On the other hand they had observed growing evidence of technological innovations that involved small changes to existing technology, but with dramatic competitive consequences (Henderson & Clark, 1990).

Tushman and Anderson (1986) observed, much like previous scholars, that technology evolves through long periods of incremental change punctuated by rare innovations that radically improve the state of the art. They also found that such discontinuities are not all alike. Competency-enhancing discontinuities build on and permit the usage of existing know-how. Competency-destroying discontinuities are built on knowledge, skills and competence that are inconsistent with prior knowledge (Tushman & Anderson, 1986). Technological discontinuities, both competency-enhancing and -destroying also are found to represent opportunities for competitive advantage. Firms that do not early adopt the discontinuous technology risk are failing because the product-class conditions change so dramatically after the discontinuity (Tushman & Anderson, 1986).

Henderson and Clark (1990) proposed a model that explains how minor innovations can have great competitive consequences. They built a model on the distinction between the product in its parts, the components, and the product as a whole. A certain integration or linkage of components is defined as the product "architecture", and innovations that change the architecture of a product without changing its components are architectural innovations.

Architectural innovations, sometimes seemingly minor, can give established organizations challenges that may have great competitive implications. Architectural innovations as defined by Henderson and Clark (1990) destroy the usefulness of the architectural knowledge of established firms, and since architectural knowledge tends to become embedded in the structure of established organizations, the phenomenon is difficult for firms to recognize. (Henderson & Clark, 1990). Relating to the framework of Tushman and Anderson (1986) Henderson and Clark find their new categories as a necessary for a deeper understanding “since the essence of architectural innovation is that it both enhances and destroys competence, often in subtle ways” (Henderson & Clark, 1990, p. 28).

Christensen’s work on disruptive innovation was initiated by anomalies he had observed in the disk-drive industry, that could not be explained by Henderson and Clark (1990) and their work on modular versus architectural innovations (Christensen, 2006). While Henderson suggested that architectural innovation would give competitive advantages, Christensen (1993) observed that most of the integrated firms that established the disk-drive industry were driven away from it, as they found it “difficult to protect or retain valuable modular and architectural technologies that their customers didn’t want” (Christensen, 1993, p. 584). They were displaced by networks of focused, less integrated and independent companies using the same technologies. Since some companies failed and some succeeded with the same technologies, it had to be other reasons than only the one suggested by Henderson and Clark. Christensen had also observed anomalies regarding the model of Tushman and Anderson (1986): “Observations was made that established firms, though often at great cost, have led their industries in developing critical competence-destroying technologies, when the new technology was needed to meet existing customers’ demands” (Christensen & Bower, 1996, p. 199).

The disk-drive industry had also gone through 5-6 shifts of technology within a short time-span, which made it perfect for an analysis of the technological impact on industry change. Christensen (1997) showed how new technologies, developed by entrants to the industry, got a hold with the least demanding customers and then gradually worked their way up-market pushing the incumbents the same way. In the end only few of the incumbents survived in the changed marketplace. Even though disruptive technologies initially underperform established ones in serving the mainstream market, they eventually displace the established technologies.

Firms with disruptive innovations displace incumbent firms that supported the old technology. The logic behind these observations is that in each market there exists a rate of improvement that customers can absorb or utilize. Christensen observed that the rate of improvement of sustaining innovations often would follow a steeper trajectory than what customers needed (Christensen, 1997). This led to products that were more sophisticated and with more functions than most customers could use. The reason this happens is that companies strive to make better products that they can sell for higher profit margins to customers in more demanding tiers of the market. When similar products based on new technologies emerged they were often not good enough to compete with most of the customers of the incumbent companies. But since many customers were over-served, some of them would consider simpler and cheaper products, like the ones based on new technologies. These would have lower performance than existing products, but would be cheaper and more convenient accessible. As the new products improved they would become good enough for more and more customers.

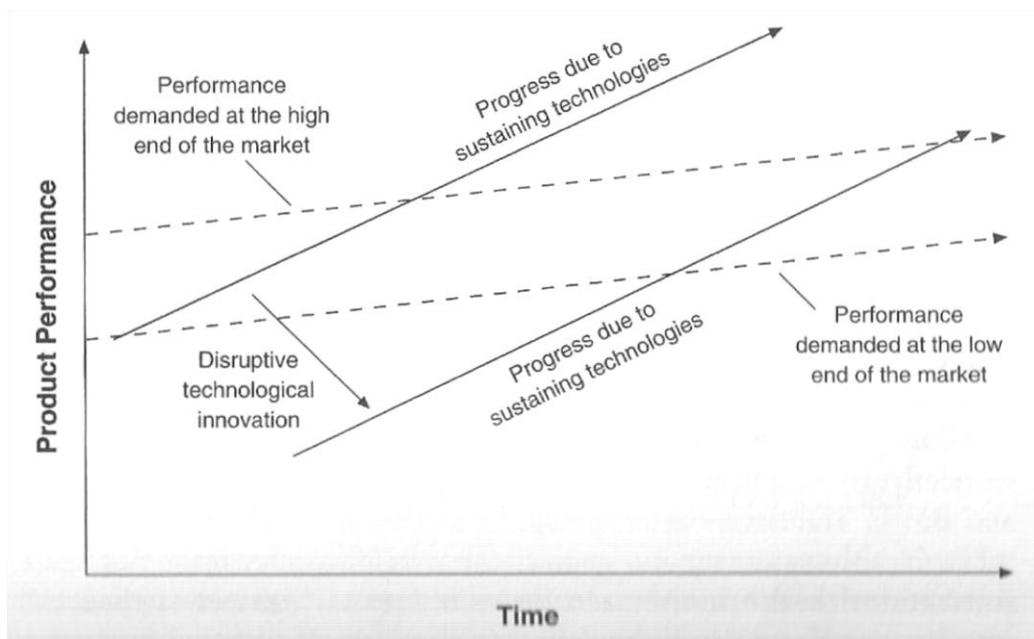


Figure 1. The impact of sustaining and disruptive technology (Christensen, 1997, p. xvi).

The criteria for distinguishing between disruptive and sustaining technologies are not clear, and are still discussed in the literature. Christensen's criteria are that the innovation doesn't try to bring better products to established customers in existing markets. A disruptive innovation disrupts and redefines the performance trajectory by introducing products and services that are not as good as currently available products. Disruptive innovations offer other benefits, they typically are simpler, more convenient, and less expensive products that appeal to new or less-demanding customers (Christensen & Raynor, 2003).

Later Christensen introduced a third dimension to the disruption diagram, which included new customers and new contexts for consumption (Christensen & Raynor, 2003). This led to the definition of another type of disruptive innovation; new-market disruptive innovations. New-market disruptions compete with what Christensen calls "nonconsumption". The products that are new-market disruptive are so simple and affordable that they will attract a new type of customers to use the product. Typically the users have not owned or used the prior generation of products and services. The challenge for new-market disruptors is to create a new value network, where it is non-consumption, not the incumbent, that must be overcome (Christensen & Raynor, 2003). As the performance of new-market disruptive innovations improve they ultimately become good enough to pull customers out of the original value network into the new one, starting with the least-demanding tier (Christensen & Raynor, 2003). Thus they do not invade the mainstream market, but pulls customers out of the mainstream value network because these customers find it more convenient to use the new product.

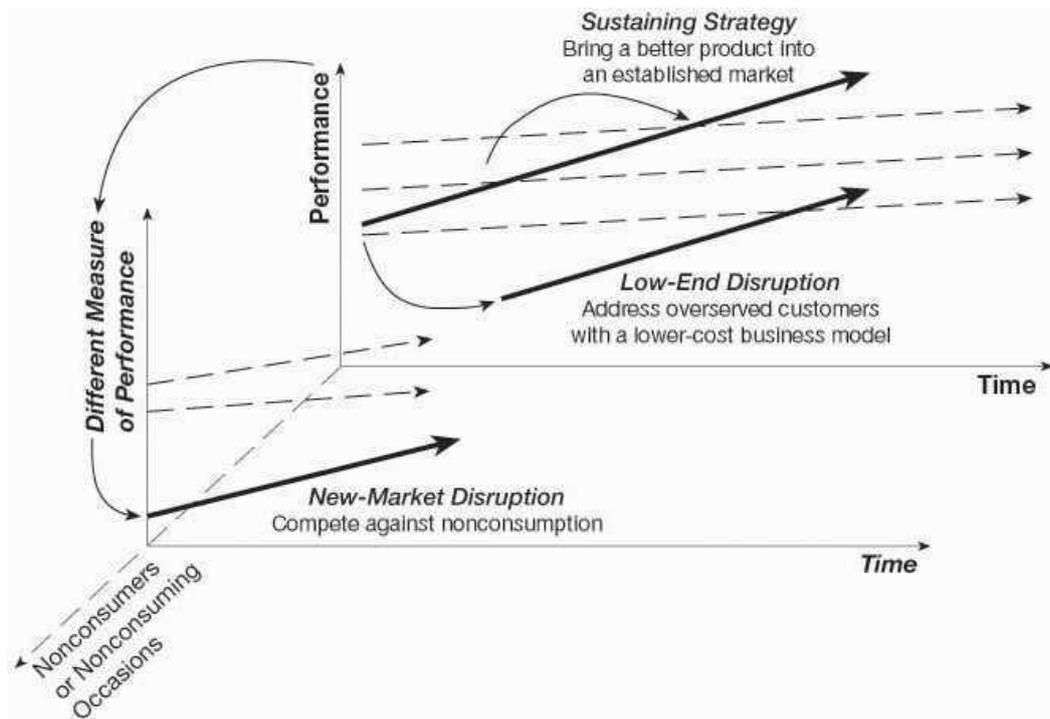


Figure 2. New-market disruption (Christensen & Raynor, 2003).

Danneels (2004) highlights the complexity of Christensen’s argument of disruptive theory, and the simplifying it is often a subject to. He argues that the term has come to be loosely used and separated from its theoretical basis. Danneels defines a disruptive technology as a technology that changes the base of competition by changing the performance metrics along which firms compete.

Christensen has together with industry-insiders publicized books on how disrupting innovation can be applied and explain changes in the educational- and health sector. In “Disrupting Class” Christensen et al. (2008) evaluate the existing model for educating students in batches and in a standardized way. Schools are hired by society to perform four distinct jobs; Preserve democracy, provide something for every student, keep the country competitive and eliminate poverty. A part of the solution can be student-centric learning, online educational software tailoring instruction to each individual student. The pace of substitution of computer-based learning for monolithic learning is calculated and extrapolated into the coming years suggesting 50% computer-based learning in 2020. The substitution is explained because of the technological and economic advantages of computer-based learning, compared to the monolithic school model.

Disruptive innovation has also been applied to health services. With “The Innovator’s Prescription” Christensen et al. (2009) addresses some of the main problems facing health care in the US. The hospital business model has been quite stable for a long time, even though content and technology has changed. The organization of hospitals is what makes them so costly, made for intuitive medicine. Disruptive innovation in the health sector is anticipated to follow a pattern where existing services made in hospitals go to outpatient clinics, then doctors’ offices and then patients’ homes. While innovation in today’s hospitals will be sustaining in character, the other steps described will be of disruptive character for the hospitals. Christensen has also proposed the legal and the consulting industry as industries facing disruptive changes (Christensen et al., 2013).

While the early discussion on innovation was concentrated on technology and physical products, it was natural that Christensen (1997) to continue on this track. When realizing that the innovation was not necessarily inherent in the technology it led to a widening and more generally applicable theory. This made possible that the disruptive innovation theory could be applied on whole industries and not-technological industries. Earlier frameworks were more difficult applicable on service industries, like legal services. Today disruptive innovation theory appears as a better tool to handle these industries, also compared to competing frameworks.

Although not much examined in the academic literature, there has been a certain development within legal services. Within law firms little has happened with the way legal services are performed, the traditional law firm pyramid is still the dominating model of delivering legal services. Outside law firms the situation has changed the last decades. According to economic theory legal services are not core competences of corporations and should therefore be outsourced. Conversely to this the traditional legal model has turned economic theories upside down, causing corporations to in-source half of their legal work (Christensen & Anthony, 2004). Today general counsel budgets account for about one-third of the legal market in America (Christensen et al., 2013). Also in Norway we have seen that big corporations are building their own legal departments, in-sourcing some of the work previously done by law-firms. On the consumer side, non-law firms, has taken the lead in the development of new legal services as legal insurances (eg. HOC insurance), specialized consultancies, procurement services etc. A further flight from away from the delivery of legal advice on a customized basis is expected (Christensen et al., 2013; Faure, 2012; Susskind, 2010, 2013).

## 2.2 Categorization based on characteristics of the innovation itself

Disruptive innovation has by some been perceived as a technology phenomenon, while others have extended the theory to also be valid for services, products and business models.

Christensen first proposed to use the term disruptive technologies (Bower & Christensen, 1995), but later put everything under the label disruptive innovation (Christensen & Raynor, 2003). Christensen (2006) explains that as he used his theory to explain the success and failure of companies in the semiconductor and computer industries, he encountered anomalies to the theory of disruptive technology. The anomalies were incumbent leaders in their industries that had succeeded at disruption. In each of these anomalous instances, the leader had been setting up an autonomous business unit, and permitted that it pursued a very different business model than the main organization, a business model that freely could be formed to suit the needs of the situation. Christensen concludes that “it was a business model problem. I made a mistake when I labeled the phenomenon as a disruptive technology; the disruptive business model in which the technology is deployed paralyzes the incumbent leaders” (Christensen, 2006, p. 43).

Other scholars have gone in another direction than Christensen, explicitly categorizing different forms of disruptive innovations. Markides (2006) states that different kinds of disruptive innovations have different competitive effects and produce different kinds of markets. He mentions three distinct types of disruptive innovations. First disruptive technology as presented by Christensen (1997). Then Markides presents and discusses two other types of disruptive innovations: Disruptive business-model innovations (he prefer to call them strategic innovations) and disruptive radical product innovations. He demonstrates that they pose radically different challenges for established firms and have radically different implications for managers. He proposes that technological innovations, business-model innovations and new to the world product innovations (radical product innovations) should be treated as distinct phenomena and that this is necessary for further development of the theory.

In earlier works Markides has called business-model innovation strategic innovation. He defines business-model innovation as “the discovery of a fundamentally different business model in an existing business” (Markides, 2006, p. 20). An example is that Amazon and Barnes & Noble compete in the book retail business in fundamentally different ways. Markides demands that the business model must enlarge the existing economic pie, indicating

that a business model innovation is something more than just a new strategy. Since the entrants' products emphasize other dimensions of the product or service than the incumbents, the new markets consist of different customers, and different key success factors. This makes it necessary with new activities, which often are incompatible with the incumbents' activity-system (Markides, 2006). This implies that it will be difficult to compete in both markets, typically that one becomes stuck in the middle if one tries to compete with both low-cost and differentiation strategies (Porter, 1980).

Christensen (2006) counters Markides' critique by underlining that expressing it in the terms of disruptive business models is an important improvement to the theory. Through an example of the wireless telephony industry Christensen illustrates that the technology could be disruptive to another technology, but without having a disruptive profit model. This led to that the established businesses in landline telephony could stay atop wireless telephony. According to Christensen it is not the technology that gives incumbents problems, it is the business model. This is why Christensen since Christensen and Raynor (2003) consequently has used the term disruptive innovation.

Markides (2006) defines radical product innovation as radical innovation that creates new-to-the-world products. He mentions the car, television, personal computers, VCRs, or mobile phones as examples of this. Radical product innovations tend to be disruptive to established competitors. A radical product innovation is disruptive to consumers because they introduce products and value propositions that disturb prevailing consumer habits and behaviors in a major way. They are disruptive to producers because the markets they create undermine the competences and complementary assets on which existing competitors have built their success (Markides, 2006).

According to Markides innovations that are disruptive to both consumers and producers are driven by a supply-push process and not by demand. Because of this they share certain characteristics: 1) New markets are invaded by hordes of new entrants, well before the new market starts growing. 2) High product variety in the young market. 3) This is followed by a sharp, sudden and sizeable shakeout. This is associated with the emergence of a dominant design in the market, which signals coming growth. This process takes a long time to unfold.

Christensen (2006) acknowledges that there are "new to the world" innovations, and that he has not carefully considered these before. On the other hand Christensen refuses that many of the innovations that Markides mentions really are new to the world. "Using the concept of

relativity should help us. Where an innovation cannot be described relative to a preexisting product or technology, we can say it indeed was new to the world” (Christensen, 2006, p. 48). Since disruptive innovation theory is built on the concept of relativity, it cannot explain the types of innovations proposed by Markides, but according to Christensen these do not occur very often. This also questions whether this type of innovation can, or should, be framed as a disruptive innovation at all.

Although several scholars still refer to the phenomenon as disruptive technology, it seems like today most of the literature accepts Christensen’s definition of disruptive innovation as a business-model phenomenon. On the other hand Markides’ contribution may contain valuable hints suitable for further exploration. Especially the observations of co-existence with incumbent firms and the shakeout of early entrants offering innovations that have shown to have disruptive characteristics are interesting. Even a difference in the pace of disruption between groups of innovations would justify a closer categorization of different types of disruptive innovation.

HOC insurance does not include any new technology. It could be defined as a new product, a new insurance product, or simply a new business model. HOC insurance in Norway is sold through a different business model than both legal services and ordinary insurance policies, even though it is more normal today to buy insurance when you buy a product for example.

In relation to law firms disruption would be within one segment of the industry; the segment of home sales. But, of course, in a larger perspective, one could say that legal insurances in general could potentially be disruptive to law firms. In general HOC insurance could also be interpreted as a radical product innovation, given that the definition is not too strict, because insurance in itself is not really a physical product, but HOC insurance was a new product in Norway. Some established insurance companies offered HOC insurance through their normal business model, but quit after being unsuccessful in making a profit.

### **2.3 Categorization based on where the disruptive innovation gains a foothold**

Disruptive innovation has for many been synonymous with an innovation that starts out at the bottom of a given market, and then eats itself up-market to finally wipe out the incumbent competitors (low-end disruption). The literature has later acknowledged what is known as

new-market disruptions (Christensen & Raynor, 2003), while high-end disruptions (Govindarajan & Kopalle, 2006) have not gained the same acceptance.

Christensen (1997) presented what is now known as low-end disruption. This process begins, or takes a foothold, in the low end of an existing market. Known examples of low-end disruption are steel mini-mills and discount retailing. They start by picking out the least attractive customers in the existing market, and then work their way up-market, pushing the incumbents into higher and higher margin customers, ultimately pushing them out of the market. Thus they do not invade the mainstream market, but pulls customers out of the mainstream value network because these customers find it more convenient to use the new product. Because of this the incumbent leaders feel little threat until the disruption has come far. This is when the incumbents according to Christensen (1997) will migrate up-market, and for a time enjoying higher margins. A new-market disruptive innovation first gains a foothold among users that have not owned or used the prior generation of products and services (Christensen & Raynor, 2003).

Schmidt and Druehl (2008) introduce two types of new-market disruptions: Fringe market and detached market. New market disruptions of the fringe market type initially sells to customers at the low-end fringe of the existing market. When the performance and cost improves the new product is more attractive to all customers and particularly high-end customers. New-market disruptions of the detached type initially sell to a market that is detached from the market for the old product. As a consequence of this, that the old and new product sell to opposite ends of the market, new market disruptions of the detached type can initially be high priced. As the quality improves and the cost decreases the new product would start look better to users of the old product, and the two ends of the markets will eventually merge while disruption occurs. Govindarajan and Kopalle (2006) criticize Christensen's narrow definition of disruptiveness, and they propose that disruptive innovations can be high-end as well. That means technologically more radical in nature in contrast to low-end disruptions which would be less radical. The disruptiveness construct is different from the radicalness dimension (radical vs. incremental). The disruptiveness construct is a market-based dimension, while the radicalness is a technology-based dimension. Govindarajan and Kopalle (2006) propose that high end disruptions create a dilemma for incumbents for the same reasons as low-end disruptions. They conclude that disruptive innovations can involve either radical technologies

(high end) or incremental technologies (low end). Thus they propose a more general definition of disruptive innovations:

*A disruptive innovation introduces a different set of features, performance, and price attributes relative to the existing product, an unattractive combination for mainstream customers at the time of product introduction because of inferior performance on the attributes these customers value and/or a high price – although a different customer segment may value the new attributes. Subsequent developments over time, however, raise the new product's attributes to a level sufficient to satisfy mainstream customers, thus attracting more of the mainstream market.(Govindarajan & Kopalle, 2006)*

Christensen (2006) resists calling all of these phenomena disruptions. He argues that he is trying to give specific meaning to the term, independent of the outcome. He argues that “another mechanism of action causes the leaders to have missed these high-end innovations, and we should find another name for it” (Christensen, 2006, p. 50).

We see that Christensen reserves the term disruption for innovations that is difficult for the incumbents to adopt, because of organizational competencies. High-end disruptions cannot be defined ex-ante, and the theory will therefore have to be built post-hoc. Christensen (2006) proposes that the observed phenomenon, an anomaly to disruptive theory, might become a future third category of innovations in addition to sustaining and disruptive innovations. A category that similar to disruptive innovations has the effect of leaving the leader flat-footed, unable to respond effectively. This category would be “innovations that are unattainable to the incumbent leaders, because the technology or capital requirements are simply beyond the reach of the incumbent leaders” (Christensen, 2006, p. 51). The discussion of low-end, new-market, high-end or other categories of disruptive innovations is useful both to recognize and adapt to disruptivity, but also to sort out observations that is not disruptive innovations.

HOC insurance has the potential to be a new-market disruption. Insurances are sold before an incident happens, while law firms normally sell its services after the incident has happened. This means that a new market at least would consist of a portion of home sellers with insurance, but without a claim. Also one would anticipate some home sellers that not before would have considered using a law firm, due to price and availability. They would neither have used another type of insurance as there was not a consumer insurance scheme with the same coverage. Of course it would have been possible to buy insurance, as insurance

companies practically can insure everything, but the availability and price of such a service simply didn't fit consumers' needs. In Christensen's words this group of consumers had never used the prior generations of the product before. To elaborate on the propositions from Schmidt and Druehl (2008) the fact that HOC insurance was initially not very low priced and that it looked like a traditional insurance product may indicate a new-market disruption of the detached type, which initially sold to another end of the market than law firms.

## 2.4 The mechanism of failure

Industry changes resulting from disruptive innovations do not necessarily come much unexpected or quickly. The problem for the incumbents is that the same factors that made them successful actually prevent them from adapting to disruptive change (Christensen, 1997). Christensen suggests the resource allocation process in big firms, which effectively cuts projects with too small revenue potential, as an explanation. As potential disruptive innovations do not yet have a defined market, traditional revenue projections cannot be done. These decisions will typically be done by the middle-managers, without top managements awareness of potential disruptive innovations promoted further down in the organization. (Christensen & Raynor, 2003)

Danneels (2004) asks why some incumbents succeed. Contrary to Christensen Danneels (2004) believes "that individual managerial competence does play a significant role and should be an explicit focus of research into the determinants of incumbent success. Some managers do seem able to lead their firms across technological transitions" (Danneels, 2004). He concludes that "it seems that many, but not all, incumbents fail in the face of disruptive technology (Danneels, 2004, p. 252). He addresses this question for further investigation. He proposes that the same explanations that Christensen (Christensen, 1997; Christensen & Raynor, 2003) suggests for incumbent failure may also be the explanation for the incumbents that succeed. This is the resource allocation process; and organizational resources, processes, and values (the "RPV" framework) (Christensen & Raynor, 2003). What the incumbents were missing was a marketing competence, the ability of a firm to build new customer competences, i.e., to identify and build relationships with customers it has not served yet (Danneels, 2002).

Henderson (2006) criticizes Christensen's narrow focus on cognitive failures in the senior team to explain the firms' failures to meet with disruptive innovation. Earlier research of

failing incumbents was focused on the supply side, for example competence-destroying innovations, but also on the marketplace. While Christensen (1997) does not address organizational competence, Henderson (2006) suggests that organizational competence is much more central to established firm failure in the face of disruptive innovation. She argues that embedded customer and market-related competencies have a critical role in meeting with disruptive innovations. She recommends increased focus on market-related competences. Christensen (2006) acknowledges Henderson's contribution to the theory, and nuances her view on customers' role. Addressing customers' role he clarifies that managers always must listen to customers, but that they have to be aware of where their (best) customers will lead them:

*A customer will rarely lead its supplier to develop products that the customer cannot use. The right lead customers for sustaining innovations are different from those for disruptive innovations. And the lead users for new-market innovations may not yet be users. (Christensen, 2006, p. 51)*

The explanation of rational or irrational capture by existing margins that Christensen (1997) provides for disruptive innovations seems logic at least for low-end disruptions. Henderson (2006) introduces a different explanation for the failure of established companies facing *new-market disruptions*. On the dominant scale of performance it seems unlikely that new market disruptions will ever perform as the products of established companies. In addition to this Henderson points at the migration that happens when customers flee from the incumbent's value network to the new value network. Through an example of the nutritional energy bar market, she sees it as unlikely that these products have improved so much on the existing performance scale, but that it is more likely that customer preferences may have shifted. This is a characteristic she sees with many disruptive innovations: "They come to reshape the pattern of preferences in a market, and this is particularly difficult for established firms to respond to effectively for reasons that flow directly from the nature of the embedded organizational competencies of the firm. (Henderson, 2006, p. 9)" This is what Henderson introduces as the "new-market innovator's dilemma".

In addition to contributing to the understanding of how difficult it can be for established firms to respond to significant shifts in the environment Henderson (2006) suggests that it highlights the role of market-facing competence in shaping a firm's response to disruptive innovation. Christensen (2006) acknowledges Henderson's contribution to improve the theory

of new-market disruptions. According to Christensen the logic behind market-facing competence in regard to new-market disruptions is that one does not necessarily know the future customers or lead users yet.

Christensen (1997) and Markides (2006) agree upon that established companies find most of disruptive innovations unattractive. While Christensen argues that this is because of management failure, Markides argues that most of these business-model innovations simply do not make economic sense for established companies. Yu and Hang (2010) review the literature on this field from four main perspectives from the attempt of the previous literature to explain the failure of incumbents and the market success of seemingly inferior technologies. The perspectives are 1) the internal perspective 2) the external perspective 3) the marketing and customer orientation perspective and 4) the technology perspective.

Perspective 1 is the one favored by Christensen, focusing on management failure and existing business model biases in the resource allocation process, such as the key evaluation factor for financial returns (Christensen, 2006). Other scholars have examined perspective 3 and argued for developing market-related competencies. Perspective 2 and 4 have to a little degree been examined in academia. Yu and Hang (2010) observe that the literature is quite unbalanced in favor of perspective 1 and 3. Building on the existing literature Yu and Hang (2010) underscore the importance of finding the emerging market and deeply understanding the customers' latent needs, because a firm's disabilities in finding new markets for new technologies may be its most serious innovation handicap (Christensen & Bower, 1996).

Established insurance companies are hierarchical organizations with much sales staff. If someone in such an organization should have proposed selling HOC insurances it seems likely that this initiative could be stopped at a step in the resource allocation process. The HOC insurance was not sold through the established sales channels; it could not be sold in the same situations that for example home, travel or life-insurance, but only in a specific situation when a customer was selling a house. When we know that some of the established insurance companies in Norway tried offering HOC insurance Christensen's explanation of management failure may be a potential explanation of why they left the market before it took off. This assumes that HOC insurance is a disruptive innovation (disruptive business model) to insurance companies.

Through Hendersons logic and assuming that HOC insurance is a new-market disruption in relation to law firms, it seems logic that home sellers' preferences over time may have shifted

from buying legal services from an expensive law firm ex-post (when the claim is received) to buying a (cheap) insurance ex-ante (before the home seller know if a claim will be received).

## 2.5 Relativity of disruption

Disruptive innovation is a relative term, which means that disruptiveness can only be measured relative to the business model of another firm. This means that an innovation that is disruptive to one business can be sustaining to another business (Christensen, 2006; Christensen & Raynor, 2003). It also means that an innovation that cannot be measured relative to any other business does not fit within the disruptive innovation framework as formulated by Christensen. As mentioned above this is referred to by Markides (2006) as a “new to the world” radical product innovation, and he categorizes it as a special type of disruptive innovation, while Christensen (2006) categorizes it as a new third type of innovation, in addition to sustaining and disruptive innovation. According to Christensen you should not challenge established companies if your product is not disruptive relative to all the established players in the targeted market (Christensen & Raynor, 2003). He generally views it as difficult to win a fight against an established incumbent with a sustaining innovation.

Some scholars criticize this notion of relativity for making it difficult to measure disruptiveness. Danneels (2004) still holds the possibility open that a technology can be inherently disruptive. Christensen’s response to this is that the disruptive innovation framework relates to relativity in the same way as other strategy frameworks relate to relativity, for example that an innovation can be distant from the core of one company and close to the core of another. (Christensen, 2006).

According to the notion of relativity it is necessary when analyzing a possible disruptive innovation to relate it to other companies’ business models. In the classic examples of disruptive innovations, for example the disk-drive industry, it was easy to find the related business models, which were the incumbents in the disk-drive industry. Other disruptive innovations can be more difficult to relate to other business models, and they can as mentioned be related to several other business models. Even though it can be a demanding exercise, only few innovations cannot be related to any existing business models.

HOC insurance is not intuitively easy to relate to other specific business models in the same way as for example in the disk-drive industry. HOC insurance appears outward as a product

that emerges from the insurance industry, while the activities within the HOC insurance company may remind of the activities that are performed in a law firm. HOC insurance can be a sustaining innovation in relation to insurance companies, and disruptive in relation to law firms. It can also be a disruptive innovation to the incumbent insurance companies, for example if the home ownership companies' business model is disruptive to the established insurance companies' business model. If certain law firms offer HOC insurance it can be a sustaining innovation for these law firms. As a strategic tool disruptive innovation theory, based on market relativity, may contribute to blur out the boundaries between previous well defined industries, or even professions, like the legal profession.

## 2.6 The predictive effect of the disruptive innovation theory

Danneels (2004) argues that the term “disruptive innovation” is too loose and separate from its theoretical foundations. He suggests this at one of the reasons that established companies are skeptical to disruptive innovation. He proposes to develop predictions that can be tested about which technologies will be disruptive or not.

A common critique of the theory of disruptive innovations is that it is based on historical data. The predictive use of the theory of disruptive innovation has been challenged by many scholars. Tellis (2006) asks that if one has to wait until the disruption has occurred, what predictive value is there in the theory. Govindarajan and Kopalle (2006) address this issue and concludes that even if the framework at this moment “may not help predict ex ante if a technology will be disruptive, the framework helps make ex ante predictions about the type of firms likely to develop disruptive innovations, thus presenting fruitful opportunities for future research” (Govindarajan & Kopalle, 2006, p. 17).

Christensen (2006) refutes the fear expressed by Danneels (2004) and others that his model does not provide the ability to predict what will happen. A theory, according to Christensen, must:

*“Help evaluate a technology after it has been conceived or to evaluate a business venture after it has been proposed or launched. The theory must provide the ability to predict what will happen to the incumbents and entrants in the future if they take different actions relative to the innovation. The earlier we these*

*predictions can be made after conception, of course, the better.”(Christensen, 2006, p. 45)*

Christensen (2006) provides 4 publicly documented examples of how the model was used to predict the impact of technologies across the spectrum of maturity. The predictions were in each case made, ex-ante, to help the incumbent leader see and address the threat before it was too late to take action. The first example is Teradyne’s PC-sized tester using CMOS technology which was disruptive to traditional semiconductor test equipment. Second is an example from *The Innovator’s Dilemma*, where is mentioned the flash memory in relation to hard disk drives (Christensen, 1997). Christensen (2006) observed that Flash memory was substituting for the Toshiba Microdrive in the lower-end models of the Apple iPod, and pointed at the extensive use of mass storage memory sticks. Third example is the AMD/Cyrix processors in relation to Intel’s processors. Fourth example is when Kodak launched its Easy Share digital camera in relation to film, after mid-stream discovering that they were wrong when they tried to compete on a “sustaining innovation” basis against film and against Sony and Canon.

Yu and Hang (2010) conclude that based on the causes of incumbent firms’ success or failure and subsequent solutions, we may be in a better position to tell the fate of a firm in a new wave of disruptive innovation. Thus they are indicating that disruptive innovation theory can be applied to anticipate the future of firms. On the other hand we cannot know for certain what would have happened if a company had taken another course of action than it did. But neither does any assertion that the model cannot be used to predict outcomes (Christensen, 2006). Although there has been a discussion about the predictability of disruptive innovation theory, the literature seems to assume that there is at least something that can be predicted. If not, the vast literature on other parts of the theory would seem like a great waste of intellectual capacity.

If disruption can be predicted a relevant question is if HOC insurance was a missed opportunity, or at least a visible threat, for law firms or insurance companies, or both. The future will have to show if the knowledge of the disruptive innovation theory can be used to generate future profits for established legal providers or entrants. If the answer is yes, one should be able to make predictions about for example a specialized consumer service similar to home ownership insurance, within one legal field. This could help both incumbents and

entrants to position themselves to exploit disruptive processes instead of being a victim to the same.

## 2.7 Organize to enable disruption

Innovation literature has generally found that discontinuous innovations are developed and commercialized by new entrants (Christensen & Bower, 1996; Foster, 1986; Henderson & Clark, 1990; Tushman & Anderson, 1986). Yu and Hang (2010) relate this to the research on disruptive innovation arguing that entrant firms have a better chance of success in discontinuous innovation compared with incumbent firms because of their smaller sizes, shorter histories and more limited commitments to value networks and current technological paradigms. On the other hand some large incumbent firms have managed to identify and exploit disruptive technologies before being disrupted by others (Christensen, 2006). After realizing this, the literature has searched for other possible correlations and causes for the types of businesses that succeed with disruptive innovation.

Christensen's solution to succeed with disruptive innovation within existing organizations is to organize the disruptive innovation project sheltered from the regular organization (Christensen & Raynor, 2003). Since Christensen does not differentiate between different types of disruptive innovations, one cannot demand that he offers more than one solution to the incumbent's problem when they are facing disruptive innovations. Christensen argues that all of the incumbent leaders who succeeded at disruption had maintained their industry-leading position by setting up an autonomous business unit and by giving it unfettered freedom to forge a very different business model appropriate to the situation (Christensen, 2006). The type of autonomous team should be decided based on the actual innovation's fit with the organization's processes (Christensen & Raynor, 2003).

Christensen (1997) states that disruptive technological innovations eventually will grow to dominate the market. Markides (2006) argues that as such the disruptive innovation is a serious threat for incumbent firms and that *"the only way to respond is to accept it and find ways to exploit it."* The dominating accepted solution suggested by Christensen and Raynor (2003), namely to create a separate unit is contradicted by Markides (2006) when it comes to business-model innovations (strategic innovations). He thinks that for a business-model innovation the new way of competing in the business usually grows quickly to a certain percent of the market but fails to completely overtake the traditional way of competing. He

uses internet banking, internet brokerage and low-cost airlines as examples of disruptive business-models that have grown rapidly, but only captured 10-20% of the market. “In market after market, new ways of competing grow to a respectable size but never really replace the old ways. Nor are these innovations expected to grow in the future to 100% of their markets” (Markides, 2006, p. 21). Christensen (2006) accepts that inaction can be the right course of action if survival is the objective function of management, but not if the objective function should be to maximize shareholder value.

Charitou and Markides (2003) showed that a company has several options when deciding how to respond to disruptive business-model innovations. Markides (2006) summarizes that the established firm has other alternatives to consider: “including investing its limited resources in adjacent markets or taking its existing business model internationally. Given its other growth options – and given its limited resources – the decision to invest in the disruption may rank low on its priority list” (Markides, 2006, p. 22). He states that established companies could exploit disruptive strategic innovations in a number of ways, and they do not necessarily need to use a separate unit for it.

Markides (2006) finds reasons for established firms to invest in disruptive business model innovations only in three circumstances. 1) When they enter a new market where entrenched competitors have first-mover advantages. 2) When their current strategy or business model is clearly inappropriate and the firm is facing a crisis. 3) When they are attempting to scale up a new-to-the-world product to make it attractive to the mass market.

Charitou and Markides (2003) showed through a survey of 98 companies that incumbents react to disruptive threats in different ways, and indeed more than the one proposed by Christensen. They found that these could be categorized in 5 different types of responses. This is to focus on existing business, ignore the innovation, disrupt the disruption, adopt the innovation, or embrace it and scale up the innovation. Markides and Geroski (2005) found that early pioneers that create new-to-the-world markets with radical innovations are very rarely the ones that scale them up from little niches to big, mass markets. Therefore Markides (2006) concludes that Christensen and Raynor (2003) are wrong when they offer one unified solution to achieve disruptive innovation. Markides and Geroski (2005) explored how companies can exploit these disruptive innovations. They propose that established companies should leave this kind of innovation to start-ups and then enter the market, and scale the innovations up, when the dominant design is about to emerge. Markides (2006) proposes that

in practice this means to have a network of feeder firms, and scale up the successful ones. He also notes that this is an accepted business model in creative industries such as music and book publishing. Therefore it should be possible to use an analogy from these industries to other creative industries.

Organizations with capabilities to cope with both radical and incremental innovations are often referred to as ambidextrous organizations. This has been proposed as a solution to manage discontinuous innovations (Tushman & O'Reilly, 2002, 1996). Yu and Hang (2010) comment on this path, but argues that since disruptive innovations, due to the initial inferior performance, cannot attract the same attention from senior managers and existing customers, this may not be applicable in the case of disruptive innovation.

If disruptive to other businesses what would be the best way to organize for an incumbent to succeed and be profitable with HOC insurance. We can see that for a law firm it probably would be Christensen's solution, while for an insurance company it would probably have been Markides' solution. It is interesting to see this example of a product that merges two industries, and that the two industries actually would have to think different in organizing the same product. So early in the early days of HOC insurance for example, to follow a best practice from similar companies could lead wrong for both.

## **2.8 The early failure of incumbents in disruptive markets**

Sometimes it is observed that incumbents come up with innovations that later show to be disruptive, but fail to commercialize these, while later entrants succeed with the same innovations. This phenomena is referred to as cramming (Christensen, Roth, & Anthony, 2004). Cramming is when a firm tries to cram the disruptive opportunity into its mainstream market, which tends to reject the disruption. This creates space for new companies to exploit the same innovation in new markets or in the low end of the existing market, thus creating the real disruptive innovation. Christensen et al. (2004) state that the problem with cramming is that "it changes the innovation in ways that obviate its inherent disruptive energy. It takes an innovation from a circumstance in which its unique features are valuable to a circumstance in which its unique features are a liability" (Christensen et al., 2004, p. 39). According to Christensen et al. (2004) cramming explains why so many disruptive innovations originate from within incumbents but are ultimately commercialized by separate organizations.

Sometimes frustrated managers and engineers leave an incumbent to form a new company, and discover a new market where the innovation has value (Christensen et al., 2004).

In the beginning incumbent insurance companies tried to sell their own HOC insurance schemes. The product was too expensive and complex and the real-estate brokers did not want to sell it. It is reasonable to think that the new product was created within existing frames and processes, and sold much in the same way as other insurance products. The incumbent insurance companies complained about bad profitability and then one by one left the market for HOC insurance while the market was still immature.

In other words the insurance companies tried to sell a product that had the potential to be disruptive to law firms, but when they didn't manage to sell it profitably, they let entrants create new insurance companies with business models that was better suited to be disruptive to law firms. But in the same operation the incumbent insurance companies took the risk that these new business models in a longer perspective could also show to be disruptive to the incumbent insurance companies themselves. A real threat to insurance companies' existing business would it first be if these entrants started exploiting their disruptive business models to attack the insurance incumbents' existing insurance schemes with low-end disruptive innovations.

## **3 Research methodology**

### **3.1 Preamble and study setup**

#### **3.1.1 Preamble**

The legal industry has traditionally not been well suited for studies on industry changes. The gradual corporatization of legal services makes the industry more adept for research, and may give researchers and scholars a better foothold for theory building. Through systemizing and productizing of one legal field, the HOC insurance companies have left their footprint in legal records in Norway in a remarkable way. This adds a quantitative dimension to the study of an industry that mostly has been the subject of qualitative studies and experience based literature. The data examined in this study indeed tell a story about industry change, but also needs to be treated with care. Through careful interpretation and generalization it is my hope that this study can offer a better foothold for theory building on changes in the legal industry, and a better understanding of the mechanisms in the market for legal services. As the measures used in this study are not exact, this section includes discussion and definitions in the context of HOC insurance and the legal market. The definitions of the legal market that faces disruption, and of a new market for HOC insurance, are addressed. The HOC insurance innovation itself is also operationalized in this section.

#### **3.1.2 Defining the market**

Even though disruptive innovation is associated with the failure of big firms and revolutionary change of industries, it is clear that, if disruptive, home ownership insurance has only potential to disrupt one niche within legal work, or among the services that law firms offer today. This niche is to handle claims from home buyers on behalf of home sellers. The definition of disruption addresses markets, and positions the disruptive innovation in relation to existing markets where other companies (hopefully) make a profit. In the case of HOC insurance, the innovation addresses one of the markets where the legal profession, makes its profits. In the same way the examples that have been used to illustrate disruptive innovation, some of them are of innovations that have led to the disruptee's bankruptcy, while others have only disrupted the old market-leaders within certain niches or technologies.

The “market” used for examination of disruptiveness in relation to law firms in this study, is the market for legal services. Thus it is anticipated that representing home sellers in court is a representative measure of the market for law firms' services within the legal field of handling claims derived from home sales. Therefore a decrease in the proportion of cases litigated by

law firms in comparison to other (new) actors is anticipated to tell whether law firms are facing services or products that are disruptive to their business in this niche. Of course the sampled court records will only be the “tip of the iceberg” of cases handled by lawyers and HOC insurance companies. Today the Norwegian HOC companies receive over 11.000 claims per year, but most of them are immediately declined. In the same way a law firm will have several cases that are solved by negotiations or arbitration, without having to go to the courts.

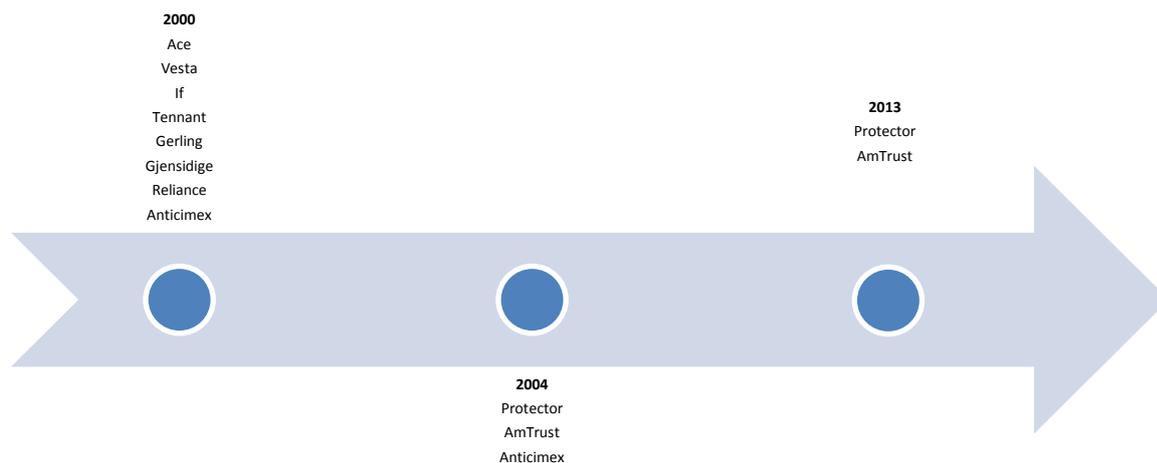
Traditionally law firms have had a monopoly litigating cases in court, protected by regulations in most jurisdictions. To a great extent lawyers still have this privilege in Norway. Law firms also have to be owned by persons that work in the law firm (typically lawyers). In other words, law firms cannot be funded by external investors. The mechanism the HOC insurance companies use to avoid conflicting with the regulations, is that they enter the courtroom as one of the parties (most often together with the seller) and thereby are representing themselves in court, which is allowed. This means that this phenomenon is visible in legal records, and that legal records thereby provide valuable data of a process where law firms might have been substituted by HOC insurance companies. Due to the regulations and the strong profession, the legal market traditionally has consisted of similar type of businesses, with one uniform business model serving 100 % of the market. This phenomenon can be seen for several professions, for example within health care and education.

### **3.1.3 The emergence of a market for home ownership insurance in Norway**

The first insurance companies offering home ownership insurance in Norway appeared in the mid 90's. The first product offered was from the traditional Norwegian insurance company Vesta, in cooperation with a smaller company, Skagerak Forsikring, in 1996/97. This product was more complicated and more expensive than the HOC insurance schemes of today. This product was not sold through real-estate brokers as most HOC insurances were later. In 1996/98 Norwegian Broker, Nor Eiendomsmegling and Estate developed a new product that later became the model for several providers of HOC insurance schemes. After the early experimentation with HOC insurance in Norway, several insurance companies, both new and established, entered the evolving new market for this kind of insurance. This includes: Vesta, If, Cigna, Gjensidige, Gerling, Tennant, Ace Insurance and Anticimex. Later also Protector Forsikring and AmTrust.

One of the early entrants in this market was Ace Insurance. In 1999 Ace Insurance bought Cigna Insurance and thereby entered the Norwegian market for HOC insurance. They organized their HOC insurance business in cooperation with Norwegian Broker (NB) and NB's partner Norwegian Claims Link (NCL). The cooperation was structured so that NB would sell and promote the insurance (through real-estate brokers), NCL would do the claim handling and Ace Insurance would only take on the insured risk. This model was initiated by the people behind NB and NCL. Ace Insurance then became market leader with approximately 50 % of the market. In 2004 Ace Insurance decided to exit the market because of bad profitability and an increasingly negative publicity around the HOC insurance schemes. After Ace Insurance decided to exit the market Norwegian Broker/ NCL had to look for a new partner. They then decided to enter into agreement with Protector Forsikring AS, which was a startup insurance company founded in 2004, based on a business idea to offer cost-efficient insurance schemes to medium and large business customers. The cooperation with Protector Forsikring AS didn't last long. Within half a year Protector terminated the agreement with NB/NCL, due to dissatisfaction with the terms. Protector announced that NB/NCL demanded too much for their services, and that this made it difficult for Protector to continue with the partnership. From then on Protector established its own organization to provide HOC insurance. Protector has dealt directly with real estate agents to sell their products and treated the received claims with their own legal staff/lawyers. NCL/NB have later entered into new agreements with some other HOC companies, of which AmTrust has become the biggest one. In 2012 two main actors were left: Protector and AmTrust. The companies that have decided to exit the market include Vesta, IF, Ace, Gerling, Anticimex, Zürich, Reliance, Gjensidige and Tennant. In December 2000 Gerling, Gjensidige Tennant and Vesta announced to the press (Aftenposten) that the product was not profitable for them, and that they had decided to quit selling this type of insurance. IF announced that it lost money on the product, but would keep it in their portfolio to track the market for a while. At the same time Anticimex introduced HOC insurance.

Anticimex decided to exit the market for HOC insurance in 2012. This led to that in 2013 two companies with two different business models remained as main actors of the market for HOC insurance in Norway. While AmTrust outsources the claim handling and brokerage of its insurances, Protector organizes everything within their own organization.



*Figure 1. Norwegian providers of HOC insurance.*

### 3.1.4 Operationalization of the HOC-innovation

A HOC insurance policy is, of course, another product (or service) than what is traditionally served by law firms. Only a portion of the insurance policies sold end up in court, in the same way as traditional law firms settle a great portion of cases outside the courtrooms. From this angle HOC insurance may be viewed as a new product, with a potential to be disruptive to existing businesses, and it can be disruptive to several types of other businesses. It can also be disruptive to one business and sustaining to another (Christensen, 1997). Although not examined in this study, it is an interesting question whether the business model of Norwegian HOC insurance companies is disruptive to the traditional insurance companies' business models. At least it is not sold the same way as ordinary house, car or personal injury insurance schemes.

An implication of the relativity of the disruptive effect on existing markets, and the tendency for some disruptive innovations to create new markets is that it is difficult to project a future market-size for the innovation, as well as to define and measure the future market. The number of potential customers for an insurance scheme bought ex-ante is indeed bigger than the number of potential law firm clients buying a legal service ex-post. Consequently the price is also lower for the insurance, as it is bought as an insurance scheme and not as a payment for a (time consuming) service. One has to anticipate that it was difficult to know in advance how many home sellers that would buy the home ownership insurance, before any experience

was made with this type of insurance scheme in Norway. Neither was it possible to know if it would trigger a new market, or how quick it possibly would disrupt existing businesses. According to disruptive innovation theory it should be possible ex-ante to decide if HOC insurance was disruptive in relation to one or more specific businesses. It should also be possible to foresee a pace of disruption as soon as the phenomenon is observed, as long as the data-set is large enough to be significant (Christensen et al., 2008). A good dataset can be difficult to obtain early in the product-cycle if the new innovation is sold in a small-scale and not standardized way, which is true for many new products and services.

Addressing the definition of disruptive innovation HOC insurance is more convenient than using traditional lawyers. The insurance is bought from the real estate broker, as an agent for the insurance company, before selling your property. Using a law firm would for most consumers mean to enter an unknown sphere, screening and supervision of the work of the chosen lawyer. The insurance is also a simpler product than law firms' services. Once bought you don't have to relate to potential dissatisfied home buyers and possible future claims, simply referring the home buyer to your insurance company, which also guarantees for possible valid claims on your behalf. A HOC insurance policy is indeed cheaper than using a law firm after the claim has been received. On the other hand the prices of the two products cannot be compared directly, as they are two different products, or services. The home seller has to take the decision of buying the insurance or not before he knows if there will be a claim. This means that the expected loss will vary from seller to seller based on their personal perception of how likely and how expensive a future claim will be. On average there will be a claim in 25% of all home sales. As most consumers are risk averse it is likely that they will perceive the home ownership insurance as a "cheap" way to avoid a potential problem

Intuitively one should think that more home sellers would buy legal assistance if they had the choice of buying it in the form of an insurance before selling their house, than if they only had the choice of buying a lawyer's services after a claim is received. Of course this would mean that many insurance policy holders wouldn't use their insurance, but this is the nature of insurance policies. From starting selling insurance policies a new set of customers would emerge automatically, namely home sellers that don't receive any claim from the corresponding home buyers. In addition one should think that sellers that generally find lawyers too expensive also would be a new set of customers, or at least unattractive customers to law firms. In general many consumers would never consider to use a lawyer or a traditional law firm. From the above mentioned it can be said that HOC insurance generally has a

potential to be disruptive to the legal field of advising home sellers. However, the disruptive impact cannot be decided from the characteristics of the product itself, but have to be molded into each business' strategy. In turn disruptive strategies greatly increase the odds of competitive success (Christensen & Raynor, 2003).

If HOC insurance is a new-market disruption it should be so simple, affordable and convenient that it would attract a new type of customers. This means that the buyers of the HOC insurance should normally not consider using law firms' services. One would also like to see the emergence of a new value network, a network where the activities in the network are profitable for all the participants. This might mean that some companies decide not to participate because the activities within the new network are in conflict with existing processes, resources or values. Regarding HOC insurance, participants in a new value network could be companies from several established industries, for example established law firms and insurance companies. After all HOC insurance is an insurance against legal liability, which should make the product interesting for these two established industries. When a new value network is established, and eventually good enough for customers that previously have used established businesses' services, one would try to observe a migration from the old value network to the new value network. If the migrating customers are the least profitable for the old value network, the established businesses will according to disruptive innovation theory often let them go without a fight, and instead focus on the higher-margin work.

### **3.2 Data collection**

Building on the assumption that HOC insurance has the potential to be disruptive to the legal field of advising home sellers I wanted to test this assumption to see if the theory of disruptive innovation theory could explain the development in the legal market. I decided to do an empirical study based on legal records to find whether the introduction of HOC insurance have had any impact on law firms, and if yes, if this impact have been or can be disruptive to them. If regarded as disruptive, I would also try to assess how fast the disruption process went.

To test the research questions, I first collected a sample of all cases regarding HOCs between private parties from the years 1995-2012, from the Norwegian courts of appeal. These cases were extracted from the online database Lovdata, which contains most cases from the Norwegian courts of appeal. The cases were grouped based on year and if the seller side was represented by a law firm or an insurance company. This analysis showed an interesting

pattern, but as it was a limited number of cases each year (between 20 and 40) and the records were not complimentary for the years 1993-1995, it was necessary to do a another study to verify the pattern. Also, as HOC insurance is a product targeting consumers, it was anticipated that most cases would be solved at the lowest level possible. Therefore it was desirable to do a study of the lowest level possible in the court system.

I decided to collect data from the Oslo District Court, because they store their legal records 25 years back. Other district courts I contacted had already destroyed some of the records. Oslo District Court is the largest district court in Norway with about 1000 civil cases each year. I conducted an archival analysis of legal records at Oslo District Court during the spring 2013. All civil cases from the years 1993 until September 2013 were screened. From this sample every case between private parties, regarding HOCs, were registered, 615 in total. The number of cases recorded each year varied between 6 and 50 cases, following the entrance of the Norwegian home sales act in January 1993. The screening and the registering of cases had to be done manually, since the District Court only digitizes parts of its records. The legal records are stored in the basement of the Oslo Courthouse, only available for internal use and research purposes. I was fortunate to get admission to the records and a temporary office in the courthouse for a period of 2 weeks. The screening was conducted by manually going through the table of contents for each year, and then look up each relevant record. The recorded information for each case was case-reference, value of the property sold, if a HOC company represented the seller, name of HOC insurance company involved and if the claim was valid: the value of the judgment. I used approximately 11 days to manually register the legal records.

The analysis was conducted using a simple time-series of the number of cases taken to court by insurance companies, the number of cases taken to court by insurance companies and the total amount of cases, from the years 1993 until 2012. The pattern was then analyzed to see if home ownership companies overtook the market of representing home sellers when faced with a claim from the corresponding home buyers. The market for HOC insurance in Norway was also in the beginning characterized by many entrants of various size and form. To get an impression of how the market for home ownership insurance has developed the ratio between the different HOC insurance companies each year was also analyzed. There are also several common beliefs, or disbeliefs, of the links between home prices, home sales, the number of conflicts and HOC insurance. To test if the figures collected from legal records were correlated with home prices or the number of home sales, I collected these figures to compare.

## 4 Results

### 4.1 Analysis

#### 4.1.1 The development in home sales and home prices.

The number of properties sold in Norway has increased steadily from around 38000 in 1993 to around 89000 in 2012, except in the period from 2007 to 2009 when the amount of properties sold decreased from 81000 to 70000. This was the same period as the international financial crisis, and the home prices also dropped 5-10%, but far from as much as in other countries.

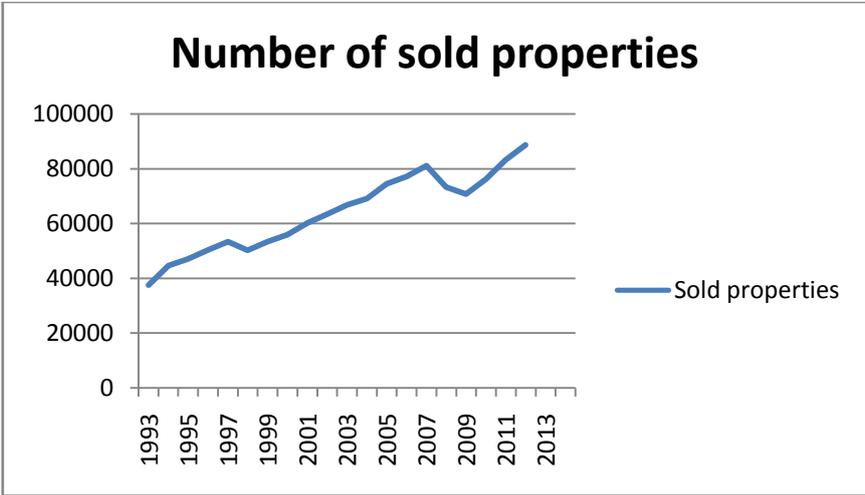


Figure 3. The number of properties sold in Norway each year (SSB).

From 1988 to 1993 the home prices in Norway decreased significantly due to the Norwegian bank crisis in this period, where several Norwegian banks went bankrupt and were taken over by the Norwegian state. From 1993 home prices have increased steadily, except the already mentioned small decrease in 2007-2009. Home prices in Norway were approximately 6 times higher in 2013 than they were in 1993.

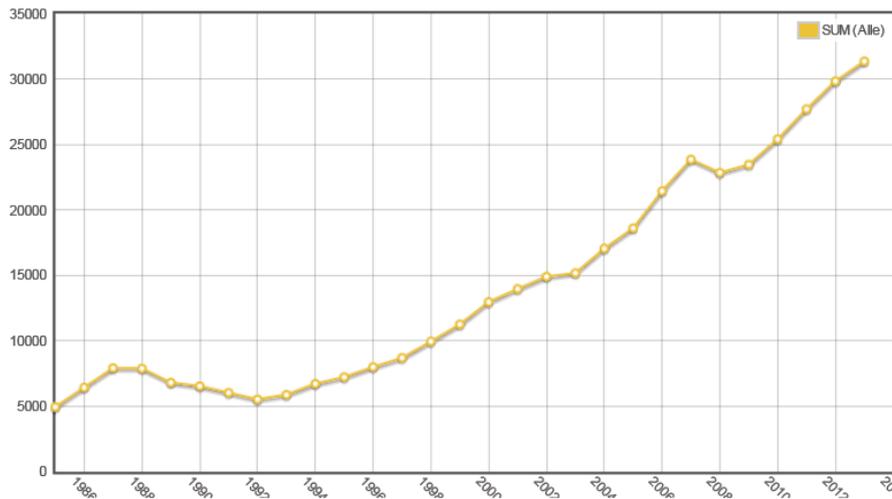


Figure 4. The development of home prices in Norway by year. Norges Eiendomsmeidlerforbund (<http://www.nef.no/xp/pub/topp/boligprisstatistikk>).

#### 4.1.2 Figures gathered from HOC insurance companies

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue [MNOK]	<104	372	271	297	263	265	332	400	426	450
Number of claims			4300	4000	4000	3800	4200	4500	4300	4500
Number of lawsuits			225	319	227	230	181	253	509*	500*
Number of final judgements							161	169	238	300
Hit Ratio				63 %	70 %	73 %	75 %	80 %	80 %	80 %
Customer Satisfaction [/100]			80	79	87	81	88	92	93	94
Reported market share	90 %	75 %	54 %	54 %	50 %	50 %	50 %	50 %	50 %	50 %

Table 1. Figures from Protector Forsikring AS gathered from annual reports.

Protector Forsikring ASA is a public listed company and the annual reports are therefore public available. The available information is shown in table 1. Protector reports to have received around 4500 claims from home buyers in 2013. Norwegian Claims Link has informed that they have around 7000 claims in the same period. These figures are only indicative, and it will vary how and when the different companies register a claim. Further it can be deducted from the figures in table 1 that Protector's market share has decreased since it

entered the market in 2004, due to the increased competition from AmTrust, who uses Norwegian Claims Link as claim handlers. The hit ratio is the percentage of the home sellers that sell their property through a real-estate agent that offers Protector’s insurance, that choose to buy the HOC insurance. As we can see this ration has increased from 63% in 2006 to 80% in 2012. Generally Protector reports that today at least 80% of home sellers buy HOC insurance. Protector also reports their customers’ satisfaction on a scale from 0-100. This indicates that their customers were more satisfied with the product in 2013 than in 2006.

**4.1.3 Cases in Oslo District Court**

Year	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13*	
Without insurance	11	6	17	9	22	25	30	46	35	27	29	21	15	14	16	11	13	11	13	11	13	1*
With insurance	0	0	0	0	0	0	0	0	8	16	20	18	9	21	22	20	13	17	14	28	25*	
Total	11	6	17	9	22	25	30	46	43	43	49	39	24	35	38	31	26	28	27	39	26*	

Table 2: Number of cases in Oslo District Court (\*the figures for 2013 include only 8 months)

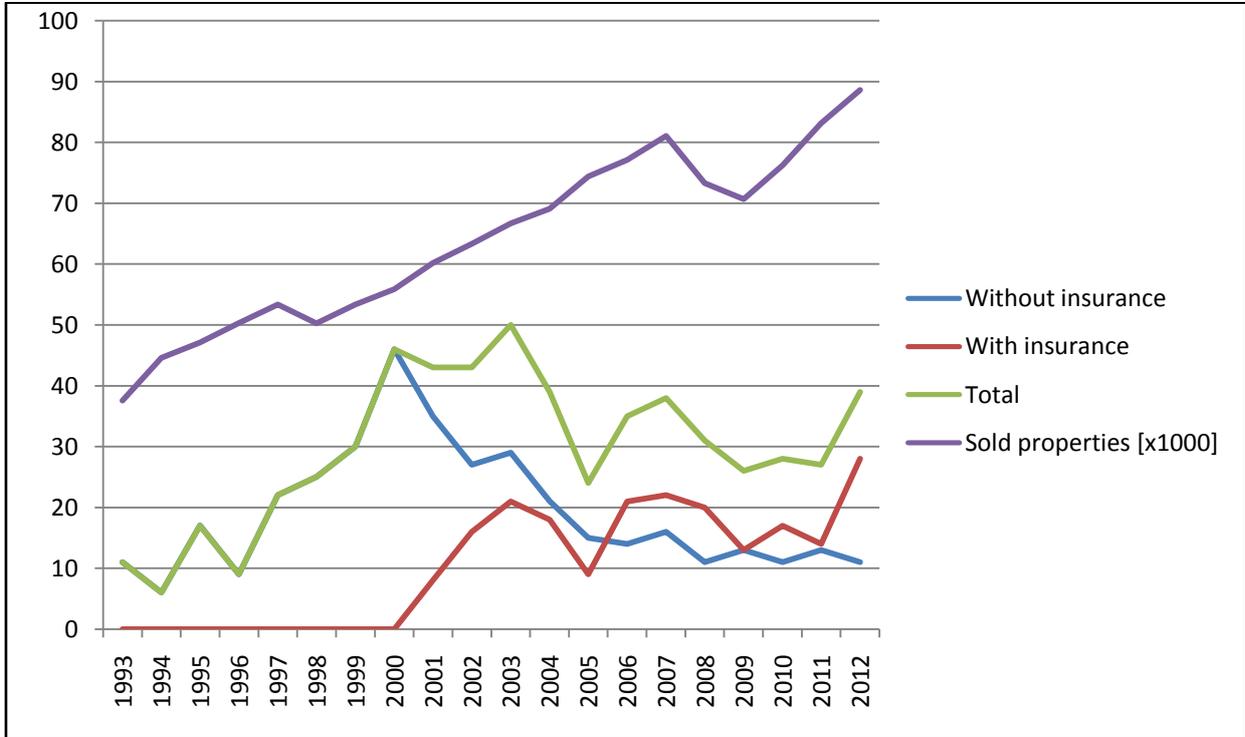


Figure 5. Number of cases in Oslo District Court.

Until 2000 none of the home sellers in the recorded cases were represented by a home ownership insurance company. This is due to that the first companies offering HOC insurance in Norway did their first attempts to sell their new product first from 1996/97. In the same period the number of such cases grew rapidly, following the introduction of the Norwegian home sales act in 1993. This means that the growth in the number of the recorded litigated cases for home sellers in this period was absorbed by law firms.

In Oslo District Court the total number of cases grew steadily until it reached 46 in 2000 and then peaked with 50 cases in 2003. The number of home sellers represented by law firms decreased from 46 in 2003 to 29 in 2003. In the same period the number of home sellers represented by a HOC insurance company increased from 0 to 21. In other words this period represents a significant replacement of law firms with HOC insurance companies in Oslo District Court, with the total amount of cases relatively stable.

From 2003 until 2005 the total number of cases decreases significant from 50 to 24. Both law firms and home ownership companies half the number of cases in this period. For law firms this period do not necessarily reflect anything else than a continuation of the negative trend. For HOC insurance companies this period looks like a temporary drawback. The reason cannot be determined for sure, but this was the period when the former market leader, Ace Insurance, together with several other insurance companies, decided to quit offering home ownership insurance. Following Ace Insurance's exit, a new insurance company, Protector Forsikring AS, entered the market and rapidly thereafter took over the position as market leader among the HOC insurance companies. Later also followed by AmTrust.

From 2005 to 2007 the total number of cases increases from 24 to 38. While law firms only increase from 15 to 16, the home ownership insurance companies increase from 9 to 22 cases. This period represent a upturn for HOC insurance companies back to the level before 2004. This supports the suggestion that the sharp downturn between 2004 and 2005 was because of the market turbulence in this period.

From 2007 until 2011 home ownership insurance companies continue representing some more home sellers than the law firms. Then in 2012, again following an increase in the total number of cases with the district court, the home ownership insurance companies represents about  $\frac{3}{4}$  of home sellers. In 2013, according to the recorded number of cases which represented 8 of the 12 months of the year, home ownership insurance companies represent over 90 % of home sellers.

#### 4.1.4 Cases in Norwegian Courts of Appeal

Year	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12
Without insurance	3	2	9	17	19	19	31	28	28	17	15	17	16	19	19	21	15	20	13	11
With insurance	0	0	0	0	0	0	0	1	7	5	4	7	6	10	22	23	18	21	21	16
Total	3	2	9	17	19	19	31	29	35	22	19	24	22	29	41	44	33	41	34	27

Table 3: Number of cases in Norwegian Courts of Appeal.

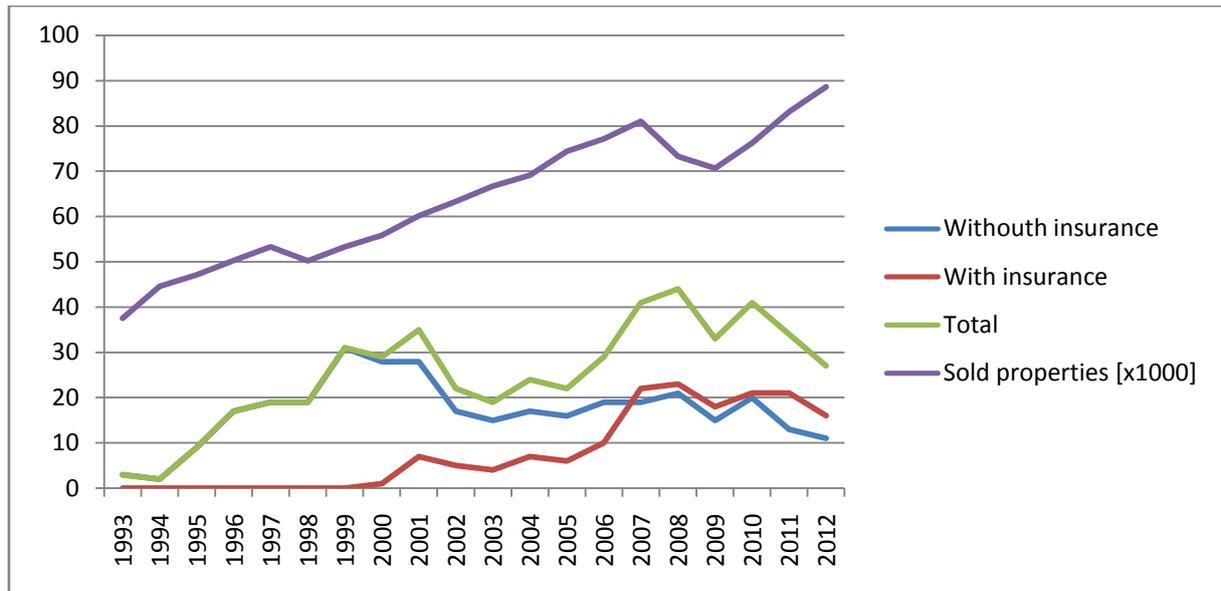


Figure 6. Number of cases in the Norwegian Courts of appeal.

In the courts of appeal the development is similar to Oslo District Court until 2000. The growth in the number of cases is fully absorbed by law firms. From there the number of insurance companies' cases is low and stable from 2000 until 2005. The reason for this cannot be determined for sure, but it is reasonable to expect that the HOC companies were careful with appealing too many cases the first years. In the same period the total number of cases decreases significantly from 29 in 2000 to 21 in 2005. This decrease in total cases refers to law firms going from representing 28 home sellers in 2000 to 16 in 2005. Thus HOC companies increase their share of the total cases significant in this period. From 2006 until 2008 insurance companies increase from 10 to 23 cases, while law firms go from 19 to 21. The total number of recorded cases go from 29 to 44 in this period, thus almost all of the increase is due to the insurance companies. From 2009 the total number of cases decreases,

while law firms and insurance companies represent sellers in about 50% of the cases each. Toward 2011/2012 insurance companies increase their share to about 60%.

**4.1.5 The ratio between HOC insurance companies?**

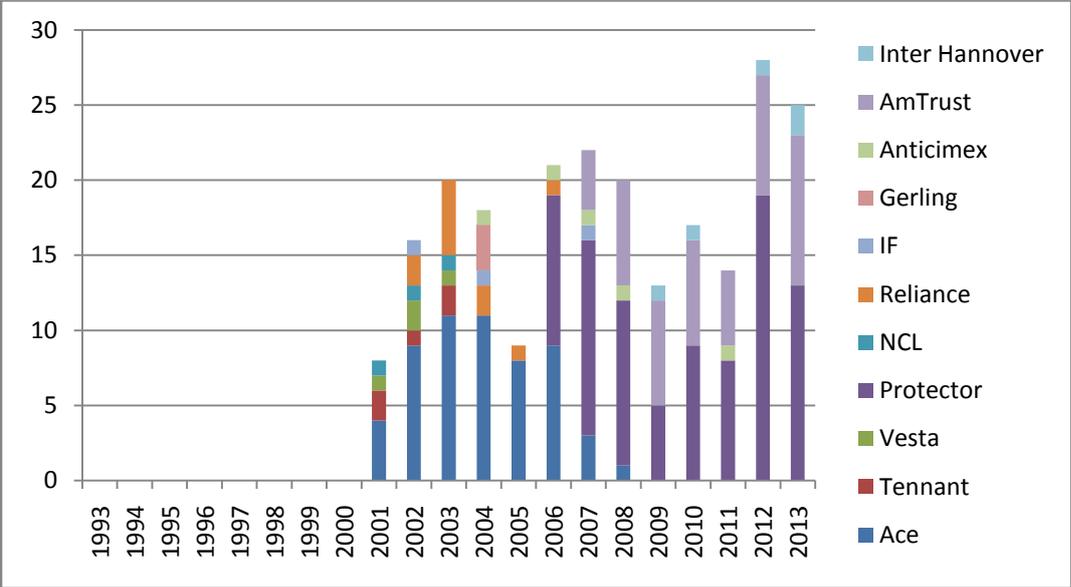


Figure 7. Home sellers represented by each insurance company in Oslo Tingrett.

Figure 7 shows the number of cases where sellers were represented by each HOC company each year in Oslo Tingrett. From the HOC companies started to represent sellers in 2001 they have substituted law firms as seen in figure 2 and 3. Figure 5 elaborates on how the market has developed between the different insurance entrants. The years between 2001 and 2004 are characterized by several entrants, with Ace Insurance as market leader. 2004 to 2007 are characterized by Ace’s and several other actors’ exit in 2004 and Protector and AmTrust entering the market. The numbers of the years from 2008 – 2013 reflect that Protector and AmTrust has established themselves as the two dominating actors in this market.

#### 4.1.6 Average prices of properties with claims in Oslo Tingrett

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>With insurance</b>	2381235	3265000	2555600	2890882	3607667	2574615	2573667	3082778	6972692	4604545	6320833	3812500
<b>Without</b>	2054286	2595313	2742619	2855556	3321875	3437500	3166842	3894412	3239583	4153783	4120385	4148000
<b>Total</b>	2325415	3015814	2640978	2872714	3508261	3097576	2905147	3613462	5180800	4337427	5176600	4054806

Table 4. Average prices of properties with claims in Oslo Tingrett from 2001 to 2012 in NOK.

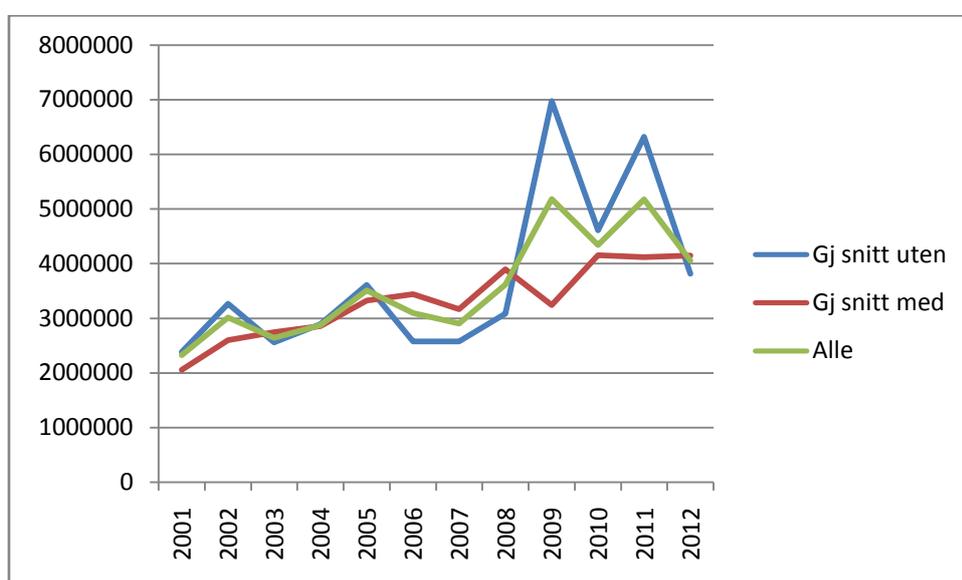


Figure 8. Average prices of houses with claim from buyer in Oslo Tingrett, with HOC insurance, without HOC insurance and total.

Figure 8 shows the average prices of houses sold between private parties, referred to in disputes in Oslo Tingrett from HOC companies entered the courtrooms in 2001 until 2012. There is no observable difference between high or low priced properties with regard to if they end up in court represented by a law firm or a HOC insurance company. The deviations observed in 2011 and 2009 are partly because of few observations and due to claims from 4 extraordinary expensive houses, all of which were represented by law firms. These properties were sold for respectively MNOK 25 and 12 in 2011 and 24 and 18 in 2009. On the other hand a property of MNOK 14 was represented by a HOC company in 2006, MNOK 11 in 2008 and MNOK 19 in 2012. (and MNOK 24 in 2013)

#### 4.1.7 Development within different price segments (2012 adjusted prices)

To compare the development within different price categories the value of the homes with claims in Oslo Tingrett were adjusted to 2012 prices. They were then categorized in the categories MNOK 0-5, 5-10 and 10+. The development is shown in tables 5, 6 and 7, and figure 8.

<b>WITH/WITHOUT</b>	<b>2001-2003</b>	<b>2004-2006</b>	<b>2007-2009</b>	<b>2010-2012</b>
<b>MNOK 10+</b>	2/11	1/6	4/4	1/5
<b>MNOK 5 - 10</b>	16/16	21/11	10/8	16/5
<b>MNOK 0 - 5</b>	26/59	23/28	34/25	55/23

Table 5. Number of cases with/without HOC insurance in the categories NOK 0-5, 5-10 and 10+, in different time periods in Oslo Tingrett.

<b>PROPORTION</b>	<b>2001-2003</b>	<b>2004-2006</b>	<b>2007-2009</b>	<b>2010-2012</b>
<b>MNOK 10+</b>	0,15	0,14	0,50	0,17
<b>MNOK 5 - 10</b>	0,50	0,66	0,56	0,76
<b>MNOK 0 - 5</b>	0,31	0,45	0,58	0,62
<b>All years</b>	0,34	0,50	0,56	0,63

Table 6. Proportion of cases with HOC insurance in the categories NOK 0-5, 5-10 and 10+, in different time periods in Oslo Tingrett.

<b>VALUE[NOK]</b>	<b>2001-2003</b>	<b>2004-2006</b>	<b>2007-2009</b>	<b>2010-2012</b>
<b>MNOK 10+</b>	215 968 209	85 764 335	123 441 427	98 722 400
<b>MNOK 5 - 10</b>	217 865 107	209 762 917	122 035 980	143 327 685
<b>MNOK 0 - 5</b>	247 233 071	154 040 524	159 638 512	176 796 612

Table 7. Total value of houses with disputes in Oslo Tingrett in the categories NOK 0-5, 5-10 and 10+, in different time periods.

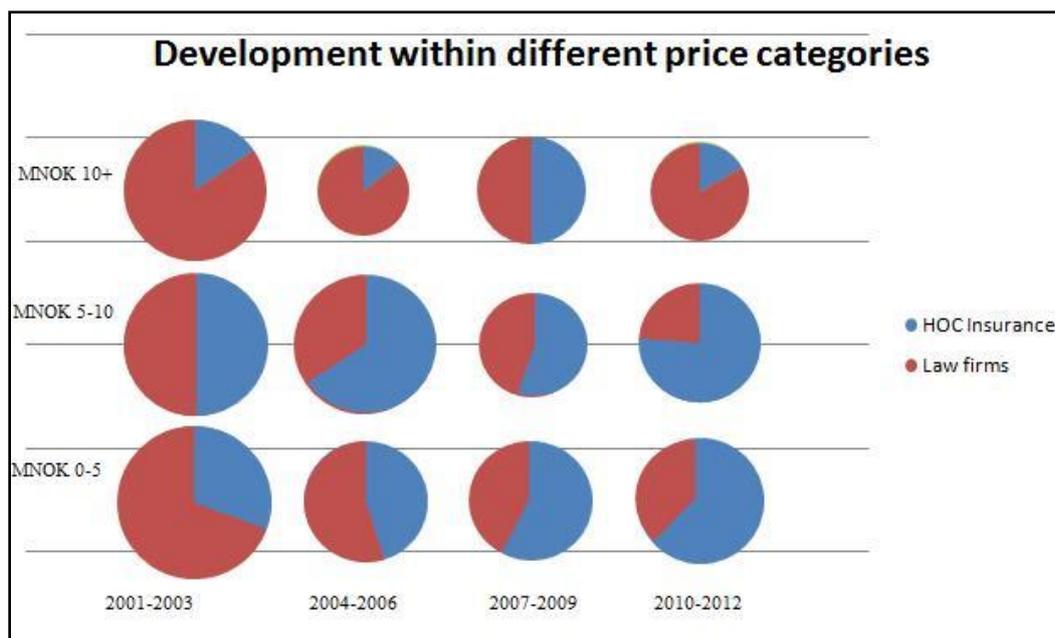


Figure 9. Development within different time periods. The sizes of the bubbles indicate the size of the total value of homes in the period (table 7), while the pies indicate the proportion of the cases where the seller is represented by a HOC Insurance company or a law firm (table 5).

The figures show that the number of cases is largest in the category MNOK 0-5 and smallest in the category 10+ (Table 5). On the other hand the segment over MNOK 10 is also a substantial market because of the total value of the properties sold in the category 10+ (Table 7). The collected data indicates that the substitution process in the beginning went faster in the segment MNOK 5-10. In the segment MNOK 0-5 the substitution process starts more calmly, but with a more stable development. In the category 10+ the number of cases are small, but in general the figures may suggest that law firms has been able to protect this segment fairly good in the examined time period. Since the values of the homes are higher, the estimated profit will also be substantial in this segment, even if the number of claims is smaller.

#### 4.1.8 Estimates of market size with and without HOC-insurance

Before 1993 HOC cases was a very small market for law firms. First with the introduction of the Home Ownership Act in 1993 this type of cases began to give more work for law firms. As the numbers of cases from the courts indicate, this niche grew in the years after 1993, According to figures from the Norwegian court administration the average number of this type of claims registered in the years 2008 – 2010 was around 800. According to statistics

gathered from a law firm that specializes on HOC cases, around 40% of their cases are sent to the courts. If one anticipates that the average legal expenses for a case in court would be around NOK 75000, and that for each case solved on a level in the court system 2-3 cases is solved outside court, with a cost of around NOK 20000, this indicates a potential market for traditional law firms' services today of around MNOK 100, if HOC insurance did not exist. Since HOC insurance exist today, a substantial amount of these 800 claims belong to the HOC insurance companies.

Based on the figures for 2012 in Norway it was sold approximately 88000 houses. The average price of a home was MNOK 3.1. Multiplied with the ratio of home buyers that buy the HOC insurance one ends up with a total value of houses sold of BNOK 218. The average price of a HOC insurance is 0,35 % of the price that the house is sold for. This gives a market size for HOC insurance in Norway of around MNOK 763. In 2012 Protector had NOK 430 millions (Table 1) in revenue from their HOC insurance. With a market size of approximately 50% this indicates a total market for HOC insurance in Norway in 2013 of around MNOK 860. Based on these two estimates it is reasonable to expect a total market for home ownership insurance in Norway of around MNOK 800 in 2012.

The estimate of a potential market for law firms' services and the estimates of the market for HOC insurance leave a gap of approximately 7 times the size of the potential market of the business model existing before HOC insurance was introduced. The increased market, or a part of it, is a new market created by the HOC insurance innovation.

## **4.2 Discussion**

From the introduction of HOC insurance schemes in Norway in 1996/97, the proportion of home sellers buying a HOC insurance policy has grown from 0 to about 80% of home sellers. After several providers in the beginning experimented with different types of insurance schemes and business models, a "shakeout" and consolidation took place. Today, two main competitors are left, with two different business models that both have shown themselves profitable. The development of HOC insurance has had an impact on the market for traditional law firms' services within this niche. Before HOC insurance schemes were introduced in Norway, a home seller had to counter any claim from a home buyer by engaging a lawyer or a law firm, or else the alternative was to handle the claim themselves.

A common opinion, often referred to in the press, is that the significant increase in home prices in Norway from 1993 is one of the reasons for the increased level of conflicts regarding home sales. The figures from Oslo Tingrett and the Norwegian courts of appeal show that the number of court cases regarding home sales between private parties increased from the introduction of the Homes Sales Act in 1993 until around 2001. From 2001 the number of cases has varied, but is not higher in 2013 than in 2001, despite a significant increase in both home prices (Figure 2) and home sales (Figure 3). In other words, the data collected in this study does not support this popular opinion. A more likely explanation is that the number of cases increased from 1993 because of the new regulations, and that the level of court cases peaked around 2001-2003. After 2001 the development has been impacted of HOC insurance companies, and the learning process in the evolution of this new industry. It is likely that they have experienced the cost of conflicts and searched to find an optimal level of conflicts. It is also reasonable to think that some of the variability is also due to the turbulence in the HOC insurance industry in the period..

A general hypothesis among lawyers has been that the HOC companies have contributed to create more conflicts and more work for the courts. The figures from Oslo Tingrett and the Norwegian courts of appeal do not support this popular hypothesis, as the number of HOC cases already was increasing before HOC insurance was introduced in Norway and started showing up in legal records in 2001 (Figure 4 and 5). Neither has the number of cases grown between 2001 and 2012, even though this has been a period with tremendous growth for the HOC insurance companies. It is more reasonable to think that the HOC insurance was introduced due to the increased number of such conflicts.

The business model in which the HOC insurance was sold had an impact on the disruptive effect to law firms. The large established insurance companies' HOC insurance schemes were sold through established business models, and appeared therefore not as disruptive to law firms. It is easy to suspect at least some of the incumbents of forcing the new type of insurance into an existing insurance business model, also referred to as cramming (Christensen et al., 2004). Others, like Protector and AmTrust (NCL) created new business models that had more disruptive potential to law firms. These younger entrants in the Norwegian insurance market have to a substantial degree substituted themselves to law firms in the Norwegian courtrooms, within the legal niche of handling claims from home buyers on behalf of home sellers. Three of the elements included in the successful business models were the product itself; home ownership insurance, control of the claims handling, and the sales

strategy; to sell the products through real-estate brokers. The figures from January 2013 to September 2013 in Oslo Tingrett showed 1 case where the home seller was represented by a law firm and 26 cases by HOC insurance companies, indicating what has to be considered as a substantial disruption within this niche. The HOC insurance innovation is compatible with the definition of disruptive innovation given by Christensen and Raynor (2003), but also has the characteristics of a “new to the world” radical product innovation as proposed by Markides (2006).

The total number of claims received by today’s two market leaders, Protector Forsikring and AmTrust, amounts to around 11000 in 2013. Most of these claims are rejected from the HOC insurance companies after being assessed by trained staff. According to the figures from Protector (Table 1) 80% of today’s home sellers buy HOC insurance when they sell their house. This means that 80% of home sellers can free of further charge have potential claims assessed by (more or less) qualified professionals with the HOC companies. Before, the average home seller was not a consumer of law firms’ services. This indicates that the introduction of HOC companies has given more consumers access to legal services they wouldn’t have access to before, thus indicating a new market of previously not-served home sellers in the low end of the old market. Even though the product was heavily criticized the first years, the critique has calmed and the annual survey from Protector Forsikring since 2006 shows that their customers are more satisfied with the seller insurance in 2013 than in 2006 (Table 1). This indicates that the product has become good enough for more and more customers, and thereby gradually has displaced law firms, as observed in the examined figures from the Norwegian courts.

Although the substitution process has been going on for a long time period, law firms have not obviously defended their position within this niche. They have neither tried to develop competing HOC insurance schemes, or similar products, to take a share in the growing new market. The structure in the legal industry, from mainly consisting of one-man firms to only a few big corporations with many hundred lawyers, can contribute to explain these observations. For today’s big law firms, a single home seller does not appear as a very profitable customer. It is therefore likely that even though law firms have spotted the development, they have concentrated on higher margin customers, typically business clients or the wealthier consumer clients. As the HOC insurance has improved and more and more potential clients have migrated to HOC insurance, the legal industry incumbents have simply let them go.

Assuming that law firms in the late 90's would prefer to continue representing home sellers in and outside of court, it would be interesting to get more knowledge about what caused them to lose this client group? To explain incumbents' failure facing disruptive innovations Christensen (1997) argues for management failure while others argue for the lack of market-facing competencies, maybe especially the lack of focus on new customer-groups. HOC insurance schemes could have been a sustaining innovation to law firms if it was designed differently, or sold/controlled by law firms. It could also have been a sustaining innovation to law firms if law firms had captured the claims handling for the HOC insurance companies. Law firms have been involved in startup of HOC insurance, and Ace Insurance/NCL used external lawyers to represent them in court in their early days. This means that at least some law firms have been aware of the development of HOC insurances, and observed the changed preferences of their customers. Obviously they have defined home claims handling, as framed by the HOC companies, outside of their core activities, maybe regarded it as being outside their core competencies. A claims handling company like NCL does the same activities as a law firm, with its own legal staff and lawyers, but it only handles claims received by its partner insurance companies. An important difference is the market facing competence that NCL has through the linkage with its cooperating broker, Norwegian Broker. NCL can also be public owned because it is not regarded as a law firm.

Theoretically only small adjustments would have been necessary for HOC insurance or claims handling to be future revenue centers for law firms, for example as a department for HOCs handling within a large law firm. As the growing market of HOC insurance was known to (at least some) law firms, the lack of market-facing competencies does not appear as a very likely explanation for not pursuing a business opportunity like this. Management failure or capture by the existing values, processes and resources, as defined by Christensen and Raynor (2003), seem more likely. Henderson (2006) also provide valuable hints to understand the failure of law firms in relation to the new market of HOC insurance. She believes that many disruptive innovations have a characteristic of reshaping the pattern of preferences in a market. Consumers that previously was used to either buy hourly billed legal services ex-post or handling the claim themselves now have another choice. As the time goes by more and more customers start to prefer to buy the legal service ex-ante on a fixed fee basis. This may also contribute to explain the difficulties law firms had in predicting the market of HOC insurance, because you actually shift consumer preferences. And the preferences could not shift before the consumers had the choice of HOC insurance.

These thoughts may not be very pressing when it comes to HOC insurance, but when the same reasons are applied on the buyer insurance and other promising legal insurance schemes the question begins to appear more pressing on law firms. Even if it appears as a pressing issue, the predictability of disruptive innovation theory sets the premises for the usefulness of this knowledge. Disruptive innovation theory literature generally accepts that it is possible to predict disruption, but the degree, pace and the possible existence of partly disruption are still discussed. According to this it should be possible to make predictions of disruptive innovations within other legal fields of practice. This of course has to be defined ex-ante, according to the definition of a disruptive innovation. The disruptive potential should be defined in relation to competing business models. As showed in the case of HOC insurance, future legal business models are not restricted to the known business models for providing legal services. One niche, or legal field of practice, can even consist of several competing business models as in the case of HOC insurance.

## 5 Conclusion and implications

### 5.1 Conclusion

In this thesis I have analyzed the introduction of HOC insurance in Norway through the lenses of disruptive innovation theory. I have related this new product in Norway, and associated business models, to the two traditional business models; law firms and insurance companies. The main questions have been if HOC insurance is disruptive to law firms within the legal field of handling claims for home sellers, and eventually how fast this has happened. Through examining these questions I have also followed the emergence of an industry of HOC insurance companies in Norway, which have positioned themselves between law firms and traditional insurance companies. This means that they are organized much as a traditional law firm, representing insurance holders, which internally are perceived like their “clients” even though the insurance company formally has taken over the claim from the home seller. On the other hand they are insurance companies, sell insurance schemes, and are perceived like insurance companies in the public.

This thesis has provided one clear example of how the disruptive innovation theory framework can be applied on one legal field of practice. HOC insurance companies have displaced the role of law firms in court in this type of cases. HOC insurance has disrupted the legal niche of handling claims for home sellers in Norway within a time-span of 16-17 years, even though law firms still have a market in this niche due to a strong position the high-end market. So it looks like disruption is afoot in this segment, but contrary to the theory of disruptive innovation it is not evident that it began in the lower end (Christensen, 1997). On the other hand the development illustrated in Figure 9 indicates that the substitution process was slowest in the high-end segment, and that law firms still have a substantial market in this segment, in spite of a small amount of cases. The observed development of the substitution process seems more consistent with the theory of new-market encroachment of the detached type as suggested by Schmidt and Druehl (2008), where the innovation initially sells to a detached market and therefore could sell in both the lower and medium segments. As home sellers’ preferences shifted (Henderson, 2006), more and more home sellers chose to buy the HOC insurance, thereby excluding a potential need for law firms services.

The HOC insurance business model has co-existed with both law firms and insurance companies since 1996/97. Law firms are still selling hours billed by the hour, while traditional insurance companies offer cover of certain legal expenses through the regular home

insurance. Even if law firms can feel the competition from HOC insurance and traditional insurance companies are considering removing the coverage of legal expenses due to increased costs the latest years, the end of law firms or insurance companies does not seem near. This supports Markides' view of long term co-existence with new innovative business models. Summarized the view of Markides (2006) and Christensen (2006) could imply that the HOC innovation would co-exist with similar services from law firms and traditional insurance companies for a long time, but as new markets are created by innovative business models the existing business model will become more and more marginalized.

The new market that HOC insurance has created has contributed to a certain marginalizing of law firms, which began with corporations' in-sourcing of legal services by creating their own in-house legal departments several decades ago. In the prolongation of HOC insurance there has been established other insurance schemes with similar potential. The home buyer insurance is established as a preferred choice for 30% of home buyers since 2006, and legal consumer insurance schemes are viable in Norway. Other business models, not only insurance related, are expected to continue this trend.

From the results and conclusion, some managerial insights and recommendations can be derived. Both related to further disruption of legal businesses, but also in regard to the applicability of the innovation theory framework on the future of the legal industry (and similar industries).

## **5.2 Implications**

This thesis have been based on a review of literature on the theory of disruptive innovation, a study of cases in Norwegian courts and the emerging industry of HOC insurance companies in Norway. The analysis and conclusion strongly advice the management of legal businesses, that want to maximize shareholder value, to apply disruptive innovation theory on their businesses.

In the years after the introduction of HOC insurance in 1996/97, the new product was subject to massive negative publicity. This was one of the reasons that the former market leader Ace Insurance decided to exit the market in 2004. Today one can observe the same negative critique against the home seller insurance that was introduced in 2006. This is another type of insurance, where the home seller is only insured against the legal expenses for pursuing the

claim and not against the costs associated to cure the defect. Diverging product properties and incentives for customers mean that the buyer insurance is not a direct analogy to the HOC insurance. Even though, it seems like this is a popular product among home buyers. Today around 1 of 3 home buyers purchases this type of insurance. The market leader in this segment, Help Forsikring, handles most of the cases with its own staff and uses its internal lawyers in court. This indicates that this type of insurance can be disruptive to law firms within the niche of representing home buyers in the same way as HOC insurance is disruptive within the niche of handling claims on behalf of home seller. This could be a partly substitution that stabilizes after some time as proposed by some scholars (Markides, 2006; Schmidt & Druehl, 2008), or it could be the first step to push law firms out of another niche in the same way as the HOC insurance did with the seller insurance (Christensen, 2006). Time will show if the degree of disruption seen in HOC seller insurance can be replicated within buyer insurance, or legal insurance.

Due to a strong legal profession and the conflicting nature of legal work, innovations within law can be vulnerable to critique both from lawyers and the public. Negative critique can be handled in different ways, for example to give up the innovation (like Ace Insurance) or continue to improve the product until it is “good enough” for most customers unaffected by the criticism (like AmTrust/NCL). One of the characteristics of disruptive innovations is that they initially are “not good enough” for most customers. This means that innovators within the legal sector to a greater extent than in other industries have to be prepared for critique and negative publicity, as they initially are not good enough for the general public, which are whom legislators and the legal profession care for. The traditional point of view that promotes a strongly regulated and “expensive” legal industry has a strong position in public in general and especially within the legal profession. It also means that new products within legal service providing not only have to be “good enough” to customers, but also “good enough” to convince legislators and the public that their basic considerations are taken care of. In practice this can mean to “keep under the radar” until your product has shown to be a too big success (for the average consumer) so that legislators cannot shut you down. This seems to be the case for both the HOC seller insurance, and now lately the HOC buyer insurance in Norway, which has been under heavy fire from some lawyers and also under supervision of the authorities, but still is offered with great success.

The fact that HOC insurance has triggered a new market means increased revenue for some companies or industries. Even though several authors predict the end of the traditional law

firm (Christensen et al., 2013; Susskind, 2010, 2013), the remaining law firms still have the opportunity to position themselves to profit from where the future revenue will be created. As mentioned above this will likely not be created in the same operation as one chases the existing high margin customers. Through the lessons from HOC insurance, legal providers that wish to grow and increase their profit, should try to spot the new markets, of which there are many. If they are a traditional law firm, they also need a strategy to cope with the structural traditions in the law firm. From the literature discussed in this thesis Christensen and Markides offer strategic guidance on this topic. It is also possible to draw on the literature on structural ambidexterity.

Lawyers have always built new practice areas, following new regulations, industry change etc. In the case of HOC insurance, law firms first built a substantial business on the basis of such claims, before the HOC companies gradually took over the niche. In the future new legal providers may be even more aggressive facing the introduction of new regulations, for example launching a new product already at, or before, the time of introduction. On the other hand it is advisable for legal businesses to consider the introduction of new regulations as opportunities to introduce new disruptive business models within a niche of legal work.

Legal professionals/lawyers will likely not go out of business because of the industry changes examined in this thesis, but they will have to adapt to the industry changes. Through the changes examined in this thesis several lawyers and trained legal staff will meet the future in a previous unusual type of work-organization for legal professionals, for example with the HOC insurance companies and claim handlers. Legal professionals should be prepared for a similar development within other legal areas.

The history of Norwegian Claims Link, which for all practical purposes could have been a department within one of the bigger Norwegian law firms, illustrates an attitude that might be more consistent with the traditional law firm partner model. This suggests that the business model of NCL/Norwegian Broker is as profitable for the partners/equity owners as the law firm pyramid is for most of today's law firm partners. The company was started by a set of partners that wanted to capture a future market, but without being an insurance company or a law firm. As a parallel to the traditional law firm, the partners work with sales and product development, while senior and junior associates do the claims handling.

As a thought experiment, one could imagine that law firms had directed HOC insurance the same way as NCL/Norwegian Broker. The niche of handling claims on an hourly billed basis

would still have been, as it is today, totally disrupted by HOC insurance, but law firms would have succeeded in capturing 50% of the claims handling legal work created by HOC insurance, thus making this a sustaining innovation for their existing business model. This can be related to the much debated example on on-line stock brokerage, that is sustaining relative to the business models of discount brokers, because it can help them discount even more (respond to the innovation by making it sustaining to themselves, if not it would have been disruptive to them too), and disruptive relative to traditional brokers (if they can't make it sustaining in relation to their business model) (Christensen, 2006). The question is if the remaining law firms will eventually succeed in responding adequately to disruptive innovations.

As NCL did with HOC insurance, future legal businesses have potential in the same way to integrate into products sold in other, or new, industries. What NCL did was to combine a market related unit with an isolated legal unit, and then work together with service/product providers to fill the gap between. This encourages law firms to go from problem solving to value creating. This could also do the marketing of legal services more easy, they would go from offering to solve problems that aren't there yet, to offering future revenue with the law firm providing much of the work. Of course the law firm would claim a big portion of this, but hopefully not so much that the partner goes away, like Protector did shortly after partnering with NCL/NB. Lawyers should be used to position their clients in favorable settings, so to position their law firms and their partners in a profitable setting should be a possible task, even without hiring marketers.

For insiders of the legal industry it may sound logic to interpret disruptive innovation as something that begins with the smallest clients. For lawyers this will typically appear to be the smallest cases, often consumers, with the smallest sums involved. Disruptive innovation theory was traditionally built on empirical studies of physical products, which were typically sold at the same price to all customers. These dynamics may differ from what is seen in industries as for example the legal or consulting industries. It is characteristic for lawyers' (and similar profession's) services that even though the product is the same, for example representation in court, the price will vary depending on how big sums are involved. In other words a lawyer's services are scalable. Lawyers, or consultants, can do the same amount of work to a higher hourly price for wealthier clients than for poor clients. Larger sums involved also justifies to bill more hours. The pricing of HOC insurance is also scalable. The price is often a percentage of the property, typically between 0.3 and 0.5%. This means that the

pricing mechanisms in this type of markets may differ from what seen in markets for more conventional products.

In regard to advice from scholars to watch the least demanding customers, legal businesses that want to succeed with disruptive innovation should not only keep an eye on the smaller consumer or business clients. They should also watch closely all new innovations that direct established or new legal niches, and regard industry boundaries as something floating rather than an obstacle. Once an entrant has got a foothold within a in a niche of legal work, a traditional law firm is forced upwards the performance trajectory, which for law firms means to merge with other law firms.

The fact that HOC insurance also is sold to sellers of high priced houses indicates that the HOC insurance is not a phenomenon reserved for the average consumer. This can be a useful thought for law-firms choosing to concentrate on higher-margin work, typically work for business clients. If disruptive innovations are developed within other legal niches it is, as the experience with HOC insurance show, not unthinkable that new innovative business models also will overtake the most profitable customers within each niche. To better understand the industry changes and the causal mechanisms more research should be done on the substitution process for this type of services.

This study was based on a review of the literature on disruptive innovation theory, and a study of cases in Norwegian courts. This, of course, sets some limits for the reach and applicability of the results and conclusion. The dataset is gathered from public available legal records, where the available data samples may be in different form or detail. Some of the examined legal records did not contain information about the price of the home price, and were therefore not included in the analysis of average prices and price segments. As mentioned the legal record is also anticipated to only show the “tip of the iceberg” of the market for HOC insurance and law firms, and this sets limitations for the applicability and conclusion drawn. On the other hand the study has thrown light on a remarkable structural change within one niche in the legal industry.

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## 7 Appendices

### 7.1 Appendix A: Recorded data from Oslo Tingrett

#### 1993

Reference	HOC Insurance Company	Judgement	Property price
91-08301 A-34		10700	450000
92-00019 A/41		150000	540000
91-08664 A/33		75000	1500000
92-07949 A/13		19949	370000
92-04807 A/27		190000	1100000
92-01627 A/69		0	1850000
92-707 A/14		0	610000
90-00880 A/74		215000	2100000
92-9213 A/17		0	1000000
90-00880 A/74		215000	2100000
92-09940 A/69		50000	480000

#### 1994

Reference	HOC Insurance Company	Judgement	Property price
93-07520 A/93		15000	
93-09529 A/61		0	350000
93-01495 A/52			3850000
93-05534 A/30		0	
98435-93		0	1580000
93-3788 A/21			1625000

#### 1995

Reference	HOC Insurance Company	Judgement	Property price
94-2979 A/51		4500	1340000
94-8161 A/48		49559	2300000
94-03069 A/29		0	900000
94-00840 A/63		27500	2125000
94-06617 A/40		50000	390000
94-00473 A/41		0	460000
94-06553 A/45		0	3000000
94-04413 A/30		17000	
94-5490 A/73		50000	2400000
94-08614 A/18		65000	1550000
95-01787 A/26		0	1050000
95-02829 A/64		20000	2550000

95-01277 A/12	38385	
95-01278 A/33	129370	1040000
93-02190 A/32	100000	3425000
95-03068 A/10	22009	960000
95-01099 A/54	28255	925000

### 1996

Reference	HOC Insurance Company	Judgement	Property price
95-02705 A/36		83179	
95-02493 A/18		18450	322000
95-05456 A/28			1000000
94-08075 A/52		0	525000
95-00993 A/11		0	670000
96-00399 A/13		0	
96-02509 A/52		2230	1310000
95-09768 A/31		125000	1550000
96-5204 A/62		100000	1975000

### 1997

Reference	HOC Insurance Company	Judgement	Property price
95-09052 A/78		9000	1405000
96-01525 A/55		0	1150000
96-9769 A/78		18204	
95-8349 A/63		109996	2200000
96-04562 A/76		100000	
96-04641 A/46		62400	1175000
96-04921 A/30		0	1410000
96-02653 A/23		0	2275000
96-06294 A/46		0	2100000
96-06354 A/46		38175	1174000
96-6850 A/73		10440	1800000
96-08846 A/27		10000	2100000
96-07851 A/33		30000	305000
96-02507 A/76		10000	
96-95759		165000	2400000
9602675 A/47		200000	1050000
97-01392 A/83		20000	3700000
97-07340 A/82		30000	900000
96-09894 A/57		50851	980000
97-02129 A/82		39500	1320000
97-00388 A/33		197755	2300000
96-05026 A/18		0	

### 1998

<b>Reference</b>	<b>HOC Insurance Company</b>	<b>Judgement</b>	<b>Property price</b>
97-06963 A/25		45000	2600000
97-04821 A/68		32000	1630000
96-08555 A/30			
97-04515 A/47		38500	505000
96-09392 A/83		0	510000
97-06800 A/57		0	1100000
97-00381 A/54		125000	870000
96-10193 A/87		100000	2150000
97-07041 A/80		25000	2335000
96-09544 A/21		0	2700000
97-7711 A/68		100000	1700000
97-5563 A/74		0	320000
97-5627 A/23		0	4800000
98-00188 A/12		15000	1845757
97-7799 A/34		90000	2125000
97-3600 A/74		235000	2400000
98-00590 A/36		60244	
98-333 A/87		0	410000
98-02399 A/75		10223	550000
98-4216 A/34		48500	1650000
97-04741 A/86		54500	1050000
98-4834 A/42			1150000
98-923 A/72		89741	1705000
97-09133 A/78		50000	1120000
98-01616 A/71		48627	805000

**1999**

<b>Reference</b>	<b>HOC Insurance Company</b>	<b>Judgement</b>	<b>Property price</b>
98-07331 A/10		0	3500000
97-3260 A/73		142152	1700000
98-00416 A/69		35000	510000
97-08946 A/23		0	3275000
98-3045 A/87		0	1335000
98-09920 A/36		14365	
98-1851 A/10		0	1560000
98-05828 A/50		47125	1200000
98-05881 A/22		0	720000
98-8250 A/47			1600000
98-05763 A/46		91832	1255000
98-07551 A/31		30000	
98-00706 A/24		0	2000000
98-08961 A/50		0	885000
98-11560 A/57		20000	1865000

98-05800 A/47	75000	460000
99-03777 A/34	17538	420000
98-10391 A/46	0	430000
98-11526 A/84	70000	687995
98-11375 A/37	70000	
97-03989 A/74	96628	2825000
98-6110 A/60		1820000
98-5323 A/20	45000	1700000
98-11211 A/15	350000	
98-10621 A/27	250000	1935000
98-8882 A/72	140000	655000
98-11444 A/74	30000	1570000
98-06801 A/51	26405	400000
99-00220 A/85	0	1785000
98-09424 A/76	0	800000

**2000**

<b>Reference</b>	<b>HOC Insurance Company</b>	<b>Judgement</b>	<b>Property price</b>
00-08578 A/83		125000	1275000
98-11193 A/34		290000	2435000
99-00689 A/78		30000	365000
99-00472 A/33		275000	2460000
99-11504 A/82		50000	970000
99-6267 A/25		30000	510000
99-4513 A/47		58758	4250000
99-07516 A/33		80218	6000000
99-08373 A/11		0	2900000
99-04525 A/80		890000	2460000
99-8029 A/79		0	1720000
99-11229 A/34		0	550000
99-9709 A/82		40000	39750000
98-04623 A/17		175000	1500000
99-05542 A/17		100000	1630000
00-02015 A/51		95550	1600000
99-00662 A/33		0	960000
98-05897 A/28		140000	3015000
99-06071 A/32		40000	875000
99-11594 A/46		0	2822000
98-04772 A/63		50000	2150000
99-6670 A/36		50000	875000
99-5529 A/36		0	915000
99-07056 A/71		20000	740000
99-10089 A/16		0	2000000
99-10455 A/36		0	1460000
99-04103 A/54		0	635000

99-09019 A/20	60000	465000
99-1001 A/82	11900	410000
99-05450 A/92	20605	2500000
00-03335 A/66	0	1175000
99-09196 A/10	0	2450000
99-05032 A/34	113352	2300000
99-04605 A/15	180000	1675000
99-6571 A/68	200000	2250000
99-11708 A/88	74015	1500000
99-5717 A/12	100000	1710000
99-08661 A/76	80000	2400000
99-11734 A/11	0	1090000
99-10307 A/79	50000	2600000
99-11055 A/77	35000	460000
00-00734 A/18	0	3600000
00-02687 A/60	250000	2900000
99-10509 A/57	110670	9500000
00-01925 A/66	130000	985000
00-7858 A/83	0	1170000

## 2001

Reference	HOC Insurance Company	Judgement	Property price
00-02038 A/43		0	455000
00-08587 A/83		125000	1275000
00-02744 A/84		45000	280000
00-044459 A/48	Ace	74000	1030000
00-00973 A/93		17000	5600000
99-09585 A/34		0	1300000
00-03699 A/46		0	1400000
00-02680 A/67		12500	1727000
99-01922 A/52		65000	1370000
00-4999 A/62		0	4100000
00-6983 A/90		0	3750000
00-04558 A/80		389684	750000
00-02490 A/60		0	1500000
00-0114 A/79	Vesta Forsikring AS	19900	2200000
00-4946 A/42		0	2180000
99-11196 A/67		154409	920000
99-10760 A/44		0	1650000
00-03734 A/22		1735000	5500000
00-09261 A/53	Ace	0	1400000
00-1441 A/38		40000	960000
00-6350 A/42		0	500000
00-7683 A/25		13000	2600000
01-04106 A/51		100000	

00-1867 A/95	Tennant Forsikring	0	2200000
00-06781 A/27		0	2250000
00-10909 A/87	Ace	0	1320000
00-06069 A/67	Tennant Forsikring AS	372441	4300000
00-06708 A/66		37600	815000
99-10100 A/91		0	1650000
00-7881 A/60		0	300000
00-09845 A/44		70000	650000
00-4215 A/26		0	835000
01-4551 A/33	Norwegian Claims Link AS	40000	1930000
00-05866 A/66		122607	1925000
00-10102 A/86		154107	1150000
00-10227 A/84		0	1160000
00-7090 A/74		104165	900000
00-05345 A/51		150000	1010000
01-00444 A/84		50000	1000000
01-02557 A/87		150000	9000000
00-09136 A/17		1450000	14500000
00-00683 A/56		0	6000000
00-01124 A/36	Ace		

## 2002

Reference	HOC Insurance Company	Judgement	Property price
01-01169 A/40		15000	1620000
00-10603 A/66	IF	115727	1950000
01-01442 A/64		36000	1500000
00-11141 A/64	Vesta Forsikring AS	200000	2250000
01-9344 A/27		0	2650000
00-5554 A/38		97551	3950000
01-2110 A/61	Ace	175000	1290000
01-06277 A/48		0	2720000
01-05230 A/87		300000	3100000
01-06082 A/52		92160	1930000
01-09099 A/36		64600	540000
01-10764 A/50	Ace	0	1900000
	Reliance National Insurance Company (Europe) Ltd v/		
01-4389 A/62	Tennant Forsikring AS.	0	3100000
01-02637 A/87		441098	48000000
02-01883 A/17		30750	1120000
01-07533 A/83	Vesta Forsikring AS	70000	2455000
01-01077 A/46		0	1100000
02-00655 A/74	Norwegian Claims Link AS	11235	2850000
01-05021 A/55		74400	2900000
01-06902 A/98		0	600000

01-04858 A/68		625000	7750000
01-09872 A/22		0	2050000
01-11069 A/32		4887	1950000
01-10911 A/68		27200	780000
00-10704 A/23		100000	1330000
01-05794 A/73		20000	1225000
01-09428 A/51		30000	2300000
01-7175 A/78	Ace	0	2400000
02-01269 A/64		0	7000000
02-02517 A/83		27300	1800000
01-04658 A/45		5000	1200000
01-10462 A/31		10000	4800000
01-05434 A/40		140000	2275000
02-1809 A/38	Ace	0	1430000
01-12112 A/42	Ace	110000	1900000
01-11058 A/68	Ace	21899	3150000
01-09158 A/59	Ace	35000	2750000
02-04243 A/50		0	915000
02-6531 A/32	Ace	0	6800000
01-10291 A/57	Tennant Forsikring AS	48750	1800000
02-595 A/94	Ace	0	1350000
	Reliance National Insurance		
01-11291 A/48	Company (Europe) Ltd	225000	4150000
01-03912 A/15		500000	24250000

### 2003

Reference	HOC Insurance Company	Judgement	Property price
02-02677 A/91		0	2950000
00-05400 A/88		150000	2420000
02-01937 A/45		65000	
02-00155 A/32		0	
02-10554 A/16		0	1400000
01-9506 A/68	Ace	0	1260000
02-02861 A/24	Vesta	100000	4100000
01-7152 A/52	Tennant Forsikring	650000	2650000
02-07595 A/11	Ace	70207	2250000
02-01812 A/91		90000	800000
	Reliance National Insurance		
	Company (Europe) Ltd.		
01-01860 A/04	V/Tennant Forsikring AS	115208	3300000
02-01607 A/13	Ace	200000	3000000
01-11144 A/96		0	1250000
02-1195 A/42		50000	850000
02-02348 A/93		68000	3700000
	Reliance National Insurance		
02-02963 A/11	Company (Europe) Ltd.	0	2600000

	V/Tennant Forsikring AS		
01-11261 A/20	Ace	150000	2670000
01-07026 A/17	Ace	0	6000000
02-06269 A/66		300000	3600000
02-01926 A/28		400000	5600000
02-12296 A/89	Ace	115000	2250000
02-09327 A/36		152400	1450000
02-04912 A/16		0	1200000
02-3276 A/65		0	750000
01-06623 A/51		0	2450000
02-10329 A/62	Norwegian Claims Link AS	0	1050000
02-4964 A/05	Ace	0	1200000
02-7616 A/25	Tennant Forsikring AS	119409	1640000
02-04006A/34		719380	3850000
	Reliance National Insurance Company (Europe) Ltd.		
02-5590 A/63	V/Tennant Forsikring AS	72000	3900000
02-10536 A/56		0	5600000
02-12078 A/65	Ace	250000	2675000
02-09746 A/52	ja	167515	1600000
03-00020 A/32		80000	1450000
03-005020TVI-OTIR/03		51139	1150000
02-4950 A/47		0	2600000
02-2529 A/78		0	2200000
02-6907 A/73	Ace	0	3000000
02-11288 A/65		133000	3950000
02-2528 A/52		0	5500000
03-005417TVI-OTIR/01		0	1780000
02-10267 A/94		0	
03-07263 A/73		64424	
	Reliance National Insurance Company (Europe) Ltd.		
02-12502 A/79	V/Tennant Forsikring AS	743800	4800000
03-004928TVI-OTIR/09	Ace	385000	2200000
02-12069 A/65		460680	4200000
02-10058 A/24	Ace	200000	3900000
	Reliance National Insurance Company (Europe) Ltd.		
02-11670 A/46	V/Tennant Forsikring AS	0	1550000
03-006478TVI-OTIR/08		50000	790000
03-008098TVI-OTIR/06		15000	2400000

## 2004

Reference	HOC Insurance Company	Judgement	Property price
03-006306TVI-OTIR/05		0	3260000
03-04102 A/45	Ace	200000	

03-007050TVI-OTIR/07		122400	1205000
03-019376TVI-OTIR/05		0	2300000
03-00986 A/74	Gerling Norge As	253591	3750000
03-014509TVI-OTIR/06	Ace	76935	3175000
03-007020TVI-OTIR/08		75000	1500000
03-004858TVI-OTIR/05		91993	2900000
03-004819TVI-OTIR/07		0	2900000
03-015371TVI-OTIR/06		100000	4800000
	Reliance National Insurance		
03-020260TVI-OTIR/08	Co. (Europe) Ltd.	75000	2000000
03-006996TVI-OTIR/09	Ace	90000	3600000
03-006630TVI-OTIR/08		55000	4590000
03-004851TVI-OTIR/08		0	2500000
	Reliance National Insurance		
03-018497TVI-OTIR/04	Co. (Europe) Ltd.	95000	3300000
03-008781TVI-OTIR/04	Ace	60000	4500000
03-015215TVI-OTIR/02		5535	3310000
03-019187TVI-OTIR/06		360000	2410000
03-009660TVI-OTIR/03	Ace	1690000	4650000
03-006568TVI-OTIR/06		390000	6450000
03-017221TVI-OTIR/08		0	1970000
04-016416TVI-OTIR/10			
03-006146TVI-OTIR/01	Ace	693374	3360000
04-006324TVI-OTIR/04	Gerling Norge As	128198	1950000
03-008076TVI-OTIR/03		87117	
03-015951TVI-OTIR/09		0	3300000
03-004893TVI-OTIR/06		0	2500000
04-004338TVI-OTIR/10	Ace	296101	3300000
03-007780TVI-OTIR/05		20000	2425000
04-000360TVI-OTIR/01	Ace	0	300000
03-019178TVI-OTIR/09	IF Skadeforsikrin	0	3870000
03-015964TVI-OTIR/09	Ace	150000	3250000
04-007325TVI-OTIR/10		0	
04-050006TVI-OTIR/04		100000	
04-016562TVI-OTIR/10	Ace	100000	4000000
03-006392TVI-OTIR/07	Ace	720000	720000
04-023699Tvi-OTIR/10	Gerling Norge As	0	1700000
04-025104TVI-OTIR/10	Anticimex	0	3975000
03-007031TVI-OTIR/05		48000	825000

## 2005

Reference	HOC Insurance Company	Judgement	Property price
04-056665TVI-OTIR/01		32281	1650000
04-090137TVI-OTIR/08		60000	1150000
03-007619TVI-OTIR/08		400000	6600000
04-017235TVI-OTIR/07		0	7500000

04-032357TVI-OTIR/06		100000	2800000
04-096363TBI-OTIR/07		0	4350000
05-023636TVI-OTIR/02	Ace	20000	4900000
04-031679TVI-OTIR/07	Ace	160000	3390000
04-010923TVI-OTIR/05		0	4000000
04-055721TVI-OTIR/06	Ace	70000	1775000
04-066266TVI-OTIR/07		52326	1450000
05-041965TVI-OTIR/02		70000	1200000
	Reliance National Insurance Company (Europe) v/norsk representant Tennant AS		
05-022101TVI-OTIR/69		70400	1825000
04-054251TVI-OTIR/07	Ace	250000	
05-059811TVI-OTIR/09		0	1790000
04-095996TVI- OTIR/06/69		37170	4575000
05-077256TVI-OTIR/04	Ace	0	2980000
05-100902TVI-OTIR/04		65500	6725000
05-083094TVI-OTIR/01		150000	1400000
05-040094TVI-OTIR/06		800000	2425000
05-081281TVI-OTIR/04	Ace	70000	2730000
04-082440TVI-OTIR/08		215000	6500000
05-070957TVI-OTIR/01	Ace	160000	3975000
05-067002TVI-OTIR/03	Ace	120000	5000000

## 2006

Reference	HOC Insurance Company	Judgement	Property price
05-142283TVI-OTIR/05	Ace	0	3100000
05-097658TVI-OTIR/01		40000	1000000
05-140583TVI-OTIR/08	Ace	125000	3400000
05-167724TVI-OTIR/04		90000	1250000
05-144443TVI-OTIR/09		228750	3350000
05-099279TVI-OTIR/10	Protector	0	5490000
05-186534TVI-OTIR/06		100706	3250000
06-036507TVI-OTIR/09	Ace	0	4900000
	Reliance National Insurance Company (Europe) Ltd v/Tennant Forsikring AS		
06-008937TVI-OTIR/10		0	2275000
06-016771TVI-OTIR/01	Protector	80625	3650000
05-080452TVI-OTIR/01		245249	1425000
06-018814TVI-OTIR/10	Protector	0	3450000
05-119418TVI-OTIR/05		0	1590000
06-015401TVI-OTIR/10	Protector	0	1200000
05-123001TVI-OTIR/05	Anticimex	51250	4835000
06-019886TVI-OTIR/10		0	925000
06-048694TVI-OTIR/04	Protector	0	3250000
03-014889TVI-OTIR/09		192616	4650000

05-163416TVI-OTIR/06		0	1130000
05-064673TVI-OTIR/02	Ace	300000	2400000
06-027958TVI-OTIR/10		100000	
04-014150TVI-OTIR/05	Ace	880000	3260000
06-056707TVI-OTIR/06		45000	2200000
06-104533TVI-OTIR/02		84281	3450000
06-073551TVI-OTIR/06	Protector	122500	2450000
06-035854TVI-OTIR/08	Ace	129411	1700000
06-128930TVI-OTIR/04		0	7200000
06-102449TVI-OTIR/04	Protector	102105	1000000
06-061881TVI-OTIR/10		70000	2050000
06-093111TVI-OTIR/03	Protector	85500	1700000
06-070637TVI-OTIR/10	Ace	50000	
05-185430TVI-OTIR/04	Protector	0	14400000
06-071340TVI-OTIR/08	Ace	142596	910000
06-087196TVI-OTIR/07	Protector	88000	880000
06-125385TVI-OTIR/04	Ace	340000	4500000

## 2007

Reference	HOC Insurance Company	Judgement	Property price
06-130083TVI-OTIR/09	Protector	0	1900000
06-118212TVI-OTIR/03		0	2740000
06-085811TVI-OTIR/03		0	1300000
06-092481TVI-OTIR/02	Protector	130000	1430000
06-040417TVI-OTIR/02		176550	4400000
06-172568TVI-OTIR/01		0	2975000
06-185035TVI-OTIR/10	Protector	15000	2100000
06-100668TVI-OTIR/01	Ace	40000	2830000
07-016630TVI-OTIR/04	Protector	0	3150000
06-188140TVI-OTIR/03	AmTrust		2260000
06-187419TVI-OTIR/05	AmTrust	0	
06-141659TVI-OTIR/03	Ace ved Norwegian Claims Link	62484	
07-010781TVI-OTIR/02		500	1740000
07-017355TVI-OTIR/06		147985	1900000
06-185600TVI-OTIR/01		300000	3900000
06-187478TVI-OTIR/05		255000	2550000
07-001475TVI-OTIR/05	Protector	3000	1300000
07-040760TVI-OTIR/10		164959	
06-167886TVI-OTIR/10		10000	1315000
07-000247TVI-OTIR/06	Protector	300000	2350000
06-035198TVI-OTIR/03		105712	935000
06-115857TVI-OTIR/02		150000	2700000
06-159335TVI-OTIR/10		0	325000
07-005217TVI-OTIR/10		350000	3000000
07-047529TVI-OTIR/03	Protector	28000	9200000

07-016551TVI-OTIR/03		1000000	6500000
07-070723TVI-OTIR/10	Protector	0	580000
07-079645TVI-OTIR/04	Protector	90000	2250000
06-131691TVI-OTIR/10		18750	2325000
06-131339TVI-OTIR/10	ACE	300000	2400000
07-088163TVI-OTIR/08	AmTrust	15000	1325000
07-104426TVI-OTIR/06	Protector	137530	1100000
07-073231TVI-OTIR/08	Protector	0	6075000
06-126621TVI-OTIR/08	Protector	92500	
07-085785TVI-OTIR/10	Anticimex	121552	1100000
07-077011TVI-OTIR/01	IF Skadeforsikring	424900	9250000
07-111922TVI-OTIR/02	Protector	200000	3770000
07-127304TVI-OTIR/05	AmTrust	0	5800000

## 2008

Reference	HOC Insurance Company	Judgement	Property price
07-133827TVI-OTIR/02	AmTrust	0	9500000
07-090516TVI-OTIR/04	Protector	471250	11000000
07-080775TVI-OTIR/08	AmTrust	98930	3600000
07-141962TVI-OTIR/02		718750	8450000
07-139758TVI-OTIR/10	Protector	270887	6150000
07-131241TVI-OTIR/02		0	
06-166439TVI-OTIR/03	Protector		1510000
07-100808TVI-OTIR/02		315425	2400000
07-114669TVI-OTIR/07		0	1095000
07-168319TVI-OTIR/01	AmTrust	38297	6830000
08-150512TVI-OTIR/02	AmTrust	57640	2550000
07-172099TVI-OTIR/02	Protector	762227	
07-192720TVI-OTIR/06		109250	700000
07-138193TVI-OTIR/06	Protector	98813	3100000
07-184213TVI-OTIR/10	Protector	200000	2370000
08-067079TVI-OTIR/10		0	900000
07-149702TVI-OTIR/01		15400	4200000
07-178929TVI-OTIR/05		558209	
08-047932TVI-OTIR/10	Anticimex	210000	2425000
08-087466TVI-OTIR/10	Protector	0	
08-070034TVI-OTIR/07		0	2250000
07-179477TVI-OTIR/02	Protector	558000	
08-042416TVI-OTIR/01	AmTrust	80000	1200000
08-091640TVI-OTIR/10	AmTrust	0	1770000
07-187156TVI-OTIR/05	Protector	1000000	1510000
08-061447TVI-OTIR/10		361950	5200000
08-105996TVI-OTIR/04	Protector	0	1700000
08-113426TVI-OTIR/07	Protector	0	4650000
08-093327TVI-OTIR/01	ACE	75000	1550000

08-087555TVI-OTIR/10		100000	2550000
08-089042TVI-OTIR/06	AmTrust	410000	4790000

### 2009

Reference	HOC Insurance Company	Judgement	Property price
08-144110TVI-OTIR/08	AmTrust	134947	4500000
08-151125TVI-OTIR/07	AmTrust	200000	4950000
08-121725TVI-OTIR/08		139353	3200000
08-170486TVI-OTIR/05		300000	8125000
08-086551TVI-OTIR/06	Protector	297325	3260000
08-184982TVI-OTIR/10		278221	18750000
09-02713TVI-OTIR/03		22015100	3800000
08-182737TVI-OTIR/04		1493314	4950000
08-188513TVI-OTIR/04			1680000
09-039039TVI-OTIR/06	Protector	30000	1950000
08-043488TVI-OTIR		495000	7600000
09-110080TVI-OTIR/07	Protector	0	3000000
09-132525TVI-OTIR/06		0	1550000
09-081605TVI-OTIR/07		0	3175000
09-042789TVI-OTIR/04		140000	2765000
08-194707TVI-OTIR/02	International Insurance Company of hannover Ltd		5200000
09-119374TVI-OTIR/05	Protector	110500	1420000
	AmTrust ved Norwegian Claims		
09-080060TVI-OTIR/04	Link	234000	3400000
09-074941TVI-OTIR/01			24000000
09-052974TVI-OTIR/05			4500000
09-113350TVI-OTIR/05		0	6550000
09-159129TVI-OTIR/02	AmTrust	89239	
09-043669TVI-OTIR/06	AmTrust/	110063	4215000
09-111377TVI-OTIR/10	Protector	0	2600000
09-158408TVI-OTIR/04	AmTrust	32000	1980000
09-109171TVI-OTIR/02	AmTrust	0	2400000

### 2010

Reference	HOC Insurance Company	Judgement	Property price
09-165725TVI-OTIR/10	Protector	0	3050000
08-149223TVI-OTIR/10	Protector	240000	7300000
09-160487TVI-OTIR/04		0	2850000
09-154774TVI-OTIR/10		268000	
09-109351TVI-OTIR/06		0	2940000
09-159164TVI-OTIR/06	AmTrust	0	5205525
	International Insurance		
	Company of Hannover Ltd ved		
09-179026TVI-OTIR/01	Norwegian Claims Link	0	2300000
09-096296TVI-OTIR/05	Protector	650000	7000000

10-030018TVI-OTIR/10	AmTrust	0	3380000
10-026974TVI-OTIR/02	AmTrust	222153	3825000
10-037054TVI-OTIR/06		0	1450000
09-096949TVI-OTIR/08		570825	10500000
10-066819TVI-OTIR/04	Protector	0	1850000
10-071832TVI-OTIR/08		110000	600000
10-006338TVI-OTIR/04	Protector	0	2260000
10-028785TVI-OTIR/01		0	1950000
09-202775TVI-OTIR/01	Protector	1160000	3720000
10-021687TVI-OTIR/10		135800	1600000
09-188082TVI-OTIR/01	Protector	0	3020000
10-023584TVI-OTIR/05		0	1600000
10-077830TVI-OTIR/03	AmTrust	0	5025000
10-032975TVI-OTIR/04	AmTrust	570000	7100000
10-095753TVI-OTIR/02	AmTrust	0	3300000
10-073310TVI-OTIR/02	AmTrust	250000	4925000
10-094226TVI-OTIR/07		75000	3160000
10-089574TVI-OTIR/02	Protector	120000	3200000
09-098499-OTIR/06		0	9000000
10-090166TVI-OTIR/03		0	15000000
10-063438TVI-OTIR/01	Protector	401500	

## 2011

Reference	HOC Insurance Company	Judgement	Property price
10-051535TVI-OTIR/5	Protector	96000	1500000
10-104401TVI-OTIR/01	Protector	896000	5900000
10-082635TVI-OTIR/06		97000	2750000
10-180901TVI-OTIR/08		190000	3300000
10-095099TVI-OTIR/08		0	12050000
10-005868TVI-OTIR/06		1000000	8500000
10-201669TVI-OTIR/07		60000	1170000
10-195187TVI-OTIR/05	AmTrust	50000	4225000
10-167486TVI-OTIR/08	Anticimex	73000	2850000
10-191259TVI-OTIR/03		150000	6350000
11-035004TVI-OTIR/01		0	1865000
11-043498TVI-OTIR/07	Protector	95000	1800000
11-024876TVI-OTIR/04		394528	6350000
11-024940TVI-OTIR/07	Protector	0	8150000
11-011107TVI-OTIR/08		100000	4745000
11-056708TVI-OTIR/08	AmTrust	0	8200000
11-026333TVI-OTIR/01		0	25100000
11-026463TVI-OTIR/02		17000	1070000
11-097774TVI-OTIR/07		44306	
11-033974TVI-OTIR/02	AmTrust	294000	4950000
11-198358TVI-OTIR/05	Protector	500000	4150000

11-057589TVI-OTIR/08	Protector	0	1700000
11-060620TVI-OTIR/07		280000	2600000
11-057590TVI-OTIR/06	Protector	40000	5400000
11-117346TVI-OTIR/02	AmTrust	0	2290000
11-059679-OTIR/04	AmTrust	0	2450000
11-104082TVI-OTIR/05	Protector	0	

## 2012

Reference	HOC Insurance Company	Judgement	Property price
11-156123TVI-OTIR/08	AmTrust	124000	8100000
11-095913TVI-OTIR/03	AmTrust	190000	2720000
11-131593TVI-OTIR/02	AmTrust	125000	8500000
11-144930TVI-OTIR/03	AmTrust	130000	4290000
11-100733TVI-OTIR/02	Protector	0	5800000
11-208649TVI-OTIR/01	Protector	0	3475000
11-169236TVI-OTIR/04		0	3500000
11-149054TVI-OTIR/05	Protector	270000	2878000
11-191862TVI-OTIR/04	Protector	0	
11-136968TVI-OTIR/04	Protector	350000	1360000
11-141927TVI-OTIR/07	Protector	225000	3800000
11-203235TVI-OTIR/02	Protector	0	2250000
11-111390TVI-OTIR/05		140000	4475000
11-099163TVI-OTIR/05	Protector	0	19375000
11-163408TVI-OTIR/04		0	
11-195634TVI-OTIR/02		100000	5400000
11-188167TVI-OTIR/08	Protector	0	5500000
12-028075TVI-OTIR/04		143743	4350000
11-139848TVI-OTIR/06	Protector	120000	1080000
12-023129TVI-OTIR/03	AmTrust	0	2380000
11-189963TVI-OTIR/02	Protector	0	13959
11-154516TVI-OTIR/03	Protector	947000	3700000
11-198363TVI-OTUR/01		0	4525000
11-198531TVI-OTIR/03	Protector	440000	4300000
12-056237TVI-OTIR/03	Protector	38063	3580000
11-174680TVI-OTIR/06	AmTrust	0	1260000
12-044016TVI-OTIR/03	Protector	0	2720000
12-062982TVI-OTIR/02	Protector	0	2950000
12-016310TVI-OTIR/07		0	2150000
11-204170TVI-OTIR/03		0	3650000
11-183347TVI-OTIR/06		260000	1750000
	International insurance Company of Hannover Ltd(ved Norwegian Claims Link)		
12-034506TVI-OTIR/06		0	2200000
12-080915TVI-OTIR/05	AmTrust	0	2375000
12-132535TVI-OTIR/08	Protector	74000	5500000

12-105263TVI-OTIR/08	AmTrust	0	2350000
12-125774TVI-OTIR/08	Protector	63710	1685000
12-057202TVI-OTIR/01		0	4175000
12-163038TVI-OTIR/01		40000	4150000
12-065168TVI-OTIR/06	Protector	0	3720000

### 2013

Reference	HOC Insurance Company	Judgement	Property price
12-145931TVI-OTIR/02		500000	9200000
12-108815TVI-OTIR/03	Protector	240000	5750000
12-152653TVI-OTIR/03	Protector	0	10500000
12-190790TVI-OTIR/08	Protector	43122	100000
	International Insurance		
12-207337TVI-OTIR/06	Company of Hannover Limited	80000	2250000
12-162141TVI-OTIR/02	Protector	0	2900000
12-151732TVI-OTIR/07	AmTrust	45625	3350000
12-196044TVI-OTIR/02	Protector	0	3625000
12-184504TVI-OTIR/05	AmTrust	508023	4250000
12-208014TVI-OTIR/03	AmTrust	156178	
12-176647TVI-OTIR/04	AmTrust	1270000	24000000
13-031071TVI-OTIR/07	Protector	223500	
12-198136TVI-OTIR/08	AmTrust	0	5600000
12-188404TVI-OTIR702	AmTrust	434441	3550000
12-185180TVI-OTIR/02	Protector	250000	2255000
13-012926TVI-OTIR/01	AmTrust	0	8900000
	International Insurance		
13-054197TVI-OTIR/03	Company of Hannover Limited	0	
12-188651TVI-OTIR/08	Protector	52000	
12-194350TVI-OTIR/02	AmTrust	0	2300000
12-191221TVI-OTIR/03	Protector	0	4500000
13-014589TVI-OTIR/05	Protector	0	5575000
13-044686TVI-OTIR/08	AmTrust	0	6000000
13-047706TVI-OTIR/08	Protector	22000	4925000
13-024079TVI-OTIR/07	AmTrust	218225	5800000
13-114599TVI-OTIR/06	Protector	0	1600000
13-047938TVI-OTIR/03	Protector	350000	2420000

## 7.2 Appendix B: Recorded data from the Norwegian courts of appeals

1995

<b>Reference</b>	<b>HOC Insurance Company</b>
LB-1995-2654	
LB-1995-1254	
LA-1995-716	
LB-1995-2327	
LG-1995-675	
LH-1995-588	
LF-1995-452	
LG-1995-261	
LF-1995-118	

1996

<b>Reference</b>	<b>HOC Insurance Company</b>
LB-1996-1312	
LG-1996-1920	
LB-1996-1114	
LB-1996-2477	
LB-1996-1187	
LA-1996-1443	
LB-1996-578	
LE-1996-596	
LA-1996-530	
LB-1996-811	
LF-1996-715	
LG-1996-292	
LB-1996-570	
LA-1996-85	
LA-1996-562	
LF-1996-390	
LA-1996-28	

1997

<b>Reference</b>	<b>HOC Insurance Company</b>
LF-1997-1036	
LE-1997-540	
LF-1997-816	
LB-1997-1070	
LB-1997-993	
LG-1996-2029	
LE-1997-772	
LA-1997-235	

LA-1997-159  
LF-1997-498  
LH-1997-553  
LG-1997-133  
LF-1997-202

**1998**

**Reference**

**HOC Insurance Company**

LB-1998-3412  
LB-1998-1887  
LA-1998-1230  
LB-1999-839  
LE-1998-814  
LA-1998-1223  
LA-1998-400  
LB-1998-1645  
LA-1998-1735  
LA-1998-1251  
LB-1998-1831  
LE-1998-311  
LB-1998-2312  
LG-1998-673  
LB-1998-1495  
LH-1998-475  
LB-1998-482  
LF-1998-519  
LB-1998-1336

**1999**

**Reference**

**HOC Insurance Company**

LB-1999-3615  
LB-1999-2840  
LH-1999-298  
LB-1999-2230  
LA-1999-1379  
LB-1999-2363  
LB-1999-1690  
LG-1999-1585  
LB-1999-1353  
LA-1999-1790  
LG-1999-1272  
LB-1999-1257  
LH-1999-532  
LA-1999-1356

LB-1999-1345  
LG-1999-434  
LA-1999-1288  
LG-1999-447  
LG-1999-610  
LB-1999-1911  
LG-1999-470  
LB-1999-926  
LB-1999-2211  
LA-1999-362  
LB-1999-120  
LB-1999-1486  
LB-1999-1260  
LF-1999-431  
LB-1999-839  
LF-1999-54  
LF-1999-62

## 2000

### Reference

### HOC Insurance Company

LE-2000-958  
LB-2000-2820  
LB-2000-3557  
LG-2000-698  
LF-2000-812  
LB-2000-2763  
LE-2000-394  
LB-2000-3067  
LB-2000-1308  
LA-2000-881  
LB-2000-1453  
LB-2000-2203  
LG-2000-260  
LA-2000-1300  
LH-2000-654  
LH-2000-652  
LA-2000-672  
LA-2000-1183  
LH-2000-134  
LB-2000-2423  
LA-2000-333  
LA-2000-783  
LH-2000-220  
LB-2000-792  
LB-2000-504

LH-2000-148  
LA-2000-254  
LF-2000-381  
LE-2000-74

**2001**

<b>Reference</b>	<b>HOC Insurance Company</b>
LB-2001-3713	
LB-2001-3006	
LE-2001-971	
LG-2001-1783	
LA-2001-1940	
LA-2001-1645	
LB-2001-3065	
LB-2001-1996	
LB-2001-3259	
LA-2001-806	
LB-2001-3682	
LB-2001-3138	
LB-2001-3430	
LG-2001-797	
LE-2001-264	
LB-2001-1811	
LG-2001-212	
LB-2001-2270	
LB-2001-2999	Ace
LE-2001-653	Vesta
LB-2001-956	
LB-2001-2603	
LA-2001-1257	
LB-2001-696	
LB-2001-1616	
LE-2001-656	Ace
LA-2001-531	
LA-2001-808	
LB-2001-1613	
LB-2001-695	
LB-2001-955	Gerling Norge
LH-2001-228	Ace
LF-2001-250	Reliance National
LB-2001-237	
LB-2001-4036	Ace

**2002**

<b>Reference</b>	<b>HOC Insurance Company</b>
LB-2002-3694	
LB-2002-4092	
LB-2002-4124	Ace
LB-2002-3510	
LB-2002-3745	
LF-2002-762-2	
LB-2002-2522	
LB-2002-3034	
LB-2002-2828	
LB-2002-2262	Ace
LB-2002-2441	
LA-2002-898	Reliance National
LG-2002-264	
LA-2002-464	
LB-2002-899	Ace
LH-2002-881	
LB-2002-1224	Ace
LB-2002-1139	
LB-2002-709	
LA-2002-445	
LE-2002-362	
LB-2002-77	

**2003**

<b>Reference</b>	<b>HOC Insurance Company</b>
LA-2003-20383	
LH-2003-13250	
LG-2003-6946	
LG-2003-4566	
LG-2003-4274	
LG-2003-3409	
LE-2003-2293	
LB-2003-997	
LB-2003-86	Ace
LB-2003-7893	
LB-2003-13884	
LB-2003-10224	
LB-2003-10061	
LA-2003-14517	
LA-2003-14514	Ace
LG-2003-6325	Ace
LG-2003-20842	
LB-2003-9074	

LB-2003-8912 Ace

**2004**

**Reference HOC Insurance Company**

LH-2004-29871  
LG-2004-7878  
LG-2004-54361  
LG-2004-54246  
LG-2004-44013  
LG-2004-33776  
LG-2004-303  
LG-2004-28316  
LG-2004-25868  
LE-2004-39789 Ace  
LE-2004-32009  
LE-2004-25266 Ace  
LB-2004-6385  
LB-2004-55104 Ace  
LB-2004-26470 Ace  
LB-2004-25424  
LA-2004-4819  
LA-2004-13509  
LA-2004-11465  
LA-2004-100402 Ace  
LB-2004-70823 Ace  
LB-2004-55328 Ace  
LB-2004-36455  
LB-2004-26373

**2005**

**Reference HOC Insurance Company**

LA-2005-92451  
LA-2005-117179 Ace  
LF-2005-123140  
LE-2005-80501  
LA-2005-77537  
LA-2005-71209  
LA-2005-84595  
LF-2005-44667 Ace  
LB-2004-6385  
LB-2005-124021  
LE-2005-165841  
LB-2005-42682  
LG-2005-131017 Ace

LB-2005-79059 Ace  
LB-2005-90635  
LG-2005-131106  
LA-2005-176497  
LB-2005-48518 Ace  
LH-2005-144551 Ace  
LH-2005-181850  
LG-2005-66135  
LB-2005-5579

## 2006

<b>Reference</b>	<b>HOC Insurance Company</b>
LB-2006-168313	
LG-2006-113217	Ace
B-2006-65201	
LB-2006-84123	Ace
LB-2006-75433	Protector
LG-2006-131129-1	
LE-2006-180041	
LA-2006-121555	Ace
LA-2006-105609	Ace
LF-2006-165950	
LB-2006-10537	
LB-2006-4142	
LG-2006-82660	Ace
LA-2006-94709	
LB-2006-1669	
LF-2006-89610	
LG-2006-49897	Ace
LH-2006-103850	
LE-2005-165841	
LA-2006-76611	
LG-2006-14565	Anticimex
LE-2006-132294	Ace
LH-2006-13671	Anticimex
LF-2006-19733	
LH-2006-8832	
LB-2006-92759	
LA-2006-86761	
LF-2006-22175	
LF-2006-41460	

## 2007

<b>Reference</b>	<b>HOC Insurance Company</b>
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LB-2007-177043	
LB-2007-186809	Protector
LB-2007-17193	Protector
LA-2007-193507	
LA-2007-149363	Protector
LA-2007-98921	
LB-2007-161499	
LF-2007-179233	Protector
LB-2007-167772	Protector
LH-2007-188096	Protector
LB-2007-104962	
LA-2007-191511	Protector
LH-2007-172083	
LB-2007-18683	
LB-2007-33439	Ace
LG-2007-147165	Protector
LB-2007-122535	
LG-2007-104447	Ace
LB-2007-4704	
LB-2007-110904	
LB-2007-120680	Protector
LG-2007-82454	Protector
LB-2007-25380	Protector
LH-2007-150901	Protector
LB-2007-58249	Protector
LB-2007-71117	
LF-2007-161099	
LE-2007-136645	Protector
LE-2007-122461	
LF-2007-106310	Protector
LB-2007-80930	
LE-2007-110296	
LA-2007-95989	Protector
LF-2007-120880	Protector
LE-2007-71031	
LH-2007-54174	Protector
LB-2007-29517	Protector
LH-2007-28390	
LH-2007-28395	
LH-2007-46126	Protector

**2008**

<b>Reference</b>	<b>HOC Insurance Company</b>
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LG-2008-52488	Ace
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LB-2008-66532	AmTrust
LB-2008-52299	Protector
LE-2008-68252	
LB-2008-82516	Protector
LB-2008-35554	
LA-2008-24736	
LF-2008-71008	
LB-2008-56156	
LB-2008-16045	Protector
LA-2008-74569	Anticimex
LH-2008-55189	
LB-2008-53496	Protector
LB-2008-42237	
LE-2008-87053	
LB-2008-410	Protector
LA-2008-28825	Protector
LB-2008-64162	Ace
LB-2008-43692	Protector
LG-2008-6483	Anticimex
LF-2008-45135	Protector
LA-2008-3975	Protector
LF-2008-6708	Ace
LG-2008-126684	
LF-2008-144208- 2	
LB-2008-109461- 2	
LE-2009-16903	
LB-2008-154668	
LG-2008-133707	
LB-2008-143915	Protector
LB-2008-127544	
LB-2008-3153	
LG-2008-133674	Ace
LB-2008-127734	
LA-2008-163369	Protector
LA-2008-128455	Ace
LH-2008-126064	
LA-2008-94529	Protector
LB-2008-82320	Anticimex
LA-2008-104863	AmTrust
LB-2008-95064	
LG-2008-75570	
LB-2008-167616	
LG-2008-64744	Protector

<b>Reference</b>	<b>HOC Insurance Company</b>
LG-2009-192332	
LB-2009-156410	
LH-2009-148745	
LB-2009-177438	
LA-2009-193589	Protector
LB-2009-102360	AmTrust
LA-2009-134903	
LG-2009-111525	
LA-2009-177115	
LA-2009-150501	
LB-2009-127970	Protector
LG-2009-79428	Anticimex
LB-2009-26827	Protector
LA-2009-129468	Protector
LA-2009-106623	AmTrust
LG-2009-60681	AmTrust
LB-2009-83588	Protector
LA-2009-76163	
LG-2009-56672	
LH-2009-105785	Protector
LG-2009-20208	Ace
LG-2009-21338	AmTrust
LF-2009-115248	Protector
LB-2009-28420	Ace
LG-2008-126684	
LH-2009-101575	
	International Insurance Company of Hannover
LG-2009-25142	Limti
LB-2009-37912	
LH-2009-94266	
LA-2009-79194	AmTrust
LB-2009-52875	
LB-2009-38874	Protector
LB-2009-2906	Protector

**2010**

<b>Reference</b>	<b>HOC Insurance Company</b>
LB-2010-202938	Protector
LB-2010-156488	
LB-2010-107247	AmTrust
LE-2010-164396	AmTrust / Anticimex
LA-2008-72460	Protector
LB-2010-29304	

LG-2010-157037	Anticimex
LA-2010-168761	Protector
LG-2010-73352	
LB-2010-27040	
LF-2010-158511	
LF-2010-175646	AmTrust
LG-2010-118262	Anticimex
LH-2010-194714	
LB-2010-160565	
LF-2010-164679	
LG-2010-110201	
LE-2010-150837	Protector
LH-2010-161853	AmTrust
LB-2010-62706	
LG-2010-81823	
LB-2010-53470	
LA-2010-151384	
LE-2010-143426	AmTrust
LA-2010-125043	AmTrust
LF-2010-110746	Protector
LA-2010-81021	Protector
LA-2010-89879	
LB-2010-13675	
LG-2010-15474	
LE-2010-64606	Protector
LA-2010-55015	
LA-2010-30618	AmTrust
LH-2010-20891	AmTrust
LA-2010-8282	Protector

## 2011

<b>Reference</b>	<b>HOC Insurance Company</b>
LB-2011-129231	Protector
LB-2011-105198	Protector
LB-2011-201999	Protector
LB-2011-72679	
LG-2011-170181	AmTrust
LB-2011-60280	Protector
LB-2011-46273	Protector
LG-2011-94268	
LF-2011-181816	
LB-2011-31447	
LA-2011-163489	AmTrust
LE-2012-27971	Protector
LB-2011-61224	Protector

LB-2011-27307	
LG-2011-76705	
LB-2011-23791	
LB-2011-27117	AmTrust
LF-2011-100994	Protector
LB-2011-25147	Protector
LF-2011-167266	Protector
LE-2011-148872	
LB-2011-41409	
LH-2011-161205	Protector
LF-2011-126996	Protector
LG-2011-48963	Protector
LA-2011-136576	Protector
LG-2011-14966	
LA-2011-94988	
LE-2011-69996	Protector
LE-2011-27327	Protector
LH-2011-78523	
LB-2011-197722	Protector
LB-2011-154200	
LB-2011-170228	Ace

**2012**

<b>Reference</b>	<b>HOC Insurance Company</b>
LB-2011-129231	Protector
LB-2011-105198	Protector
LB-2011-201999	Protector
LB-2011-72679	
LG-2011-170181	AmTrust
LB-2011-60280	Protector
LB-2011-46273	Protector
LG-2011-94268	
LF-2011-181816	
LB-2011-31447	
LA-2011-163489	AmTrust
LE-2012-27971	Protector
LB-2011-61224	Protector
LB-2011-27307	
LG-2011-76705	
LB-2011-23791	
LB-2011-27117	AmTrust
LF-2011-100994	Protector
LB-2011-25147	Protector
LF-2011-167266	Protector

LE-2011-148872	
LB-2011-41409	
LH-2011-161205	Protector
LF-2011-126996	Protector
LG-2011-48963	Protector
LA-2011-136576	Protector
LG-2011-14966	
LA-2011-94988	
LE-2011-69996	Protector
LE-2011-27327	Protector
LH-2011-78523	
LB-2011-197722	Protector
LB-2011-154200	
LB-2011-170228	Ace