

BENEFIT LANDSCAPE BULLETIN:

Employers should emphasize income protection during troubled economic times.

Key findings from The Hartford's 2009 Benefit Landscape Study highlight the economy's impact on the American worker, providing insight into the concerns that today's workforce faces.

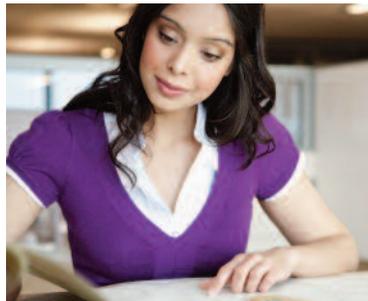
With the economy bruised and the recession lasting longer than many experts anticipated, consumer spending has plummeted and people from all walks of life are finding it more difficult to save money. In this climate, employees, worried about stretching their income dollars, have withdrawn from contributing to their retirement plans and are opting out of elective surgery in order to save money, putting their health and their financial future at risk.

The Hartford's results illustrate the need for employers to partner with their health and disability carriers to enhance employees' sense of security and educate them in better understanding the products and services that protect them and their families. ■

The new frugality may not always be healthy.

Frugality is all the rage. Coupons are suddenly vogue, and discount department stores, warehouse clubs, and thrift and consignment shops have all experienced a tremendous boost in sales since the economy began to falter in the fall of 2008.

Not since the energy crisis of the Seventies, and before that, the Great Depression, has there been such widespread national belt-tightening. Findings from The Hartford's 2009 Benefit Landscape Study shows, however, that not all of this thriftiness is limited to movie night and dinner at an expensive restaurant. People have postponed making contributions to their retirement plans, seeing their doctors, and in some cases, elective surgery.



Nearly one third (32 percent) of respondents reported foregoing making additional contributions to their retirement plans in order to save money; 21 percent postponed elective (non-essential/non-critical) surgery; 18 percent did not go to the doctor; and 11 percent did not fill prescriptions. When looked at by generational cohort, 35 percent of Gen X (born between 1965 and 1979) held back on contributing to their retirement plan, compared to 33 percent for Baby Boomers (1946 to 1964) and 28 percent for Gen Y (1980 to 1991). Almost a quarter of boomers (23 percent) chose not to see a doctor, the highest among the generations, with 19 percent of Gen X and 18 percent of Gen Y skipping doctor visits. ■

Rainy day funds on thin ice.

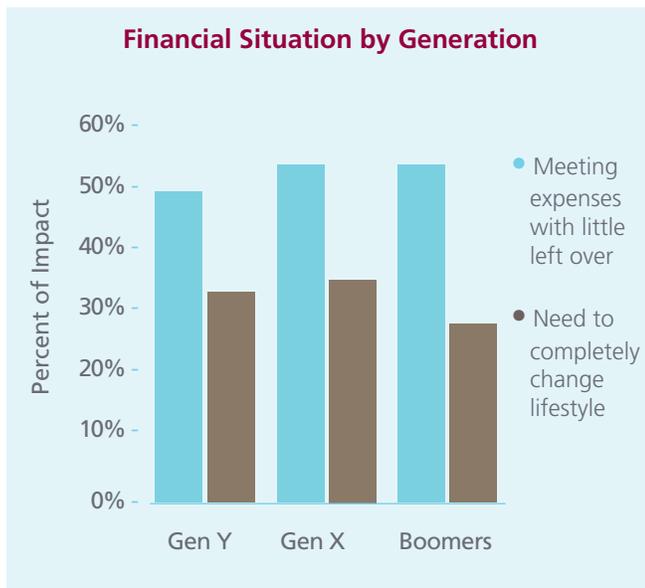
Just as firefighters and law enforcement officials recommend that people have an emergency contact person listed as ICE (In Case of Emergency) in their cell phone's directory, financial experts say we should maintain an emergency or "rainy day" fund to safeguard against unexpected expenses.

Unfortunately, more than three quarters (78 percent) of respondents reported having little or no money to put away for an emergency after paying their monthly bills, according to The Hartford's study. This leaves them vulnerable to financial hardship when faced with a large, unbudgeted expense.

To make matters worse, 97 percent of the individuals surveyed for the study stated that they would need to make lifestyle changes if a member of their household lost his or her income. Of these, two-thirds said the changes would be significant.

Group Benefits from The Hartford

If that individual's income was lost due to a disability sustained outside of work, and the individual did not have disability insurance to cover a portion of his or her income while recovering from the injury or illness, a family's entire savings could be wiped out. So, in a sense, disability insurance is another form of ICE. It is there to protect employees' income in case of an emergency, keeping them financially solvent until the individual is able to return to work. Few employees understand the benefit of disability coverage, never realizing how important it is until it's too late. Partnering with their disability carrier, employers could better educate their workforce on the importance of having disability insurance as a safety net for that "rainy day." ■



Boomers understand, but under-enroll in disability insurance.

Baby Boomers ranked the highest (66 percent) in their understanding of disability insurance, according to The Hartford's study. Yet they had one of the lowest participation rates (40 percent in STD and 35 percent LTD). This discrepancy between knowledge and utilization could stem from the misconception that disability happens to someone else—so why pay for something you will likely never use?

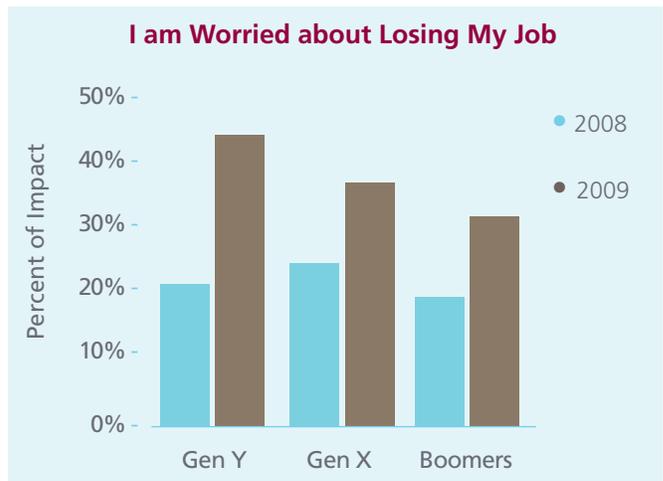
The reality, however, according to the Social Security Administration, is that workers have a 30 percent chance of becoming disabled before they retire. Boomers are more likely than their younger co-workers to miss work due to a disabling injury or illness, according to analysis of The Hartford's book of business. In 2008, 56 percent of injury/illness claims were reported by individuals ages 44 to 62, compared to 35 percent reported by 25- to 43-year-olds and only two percent reported by 18- to 24-year-olds. Among Boomer males, fractures, sprains,

dislocations and back and spine disorders accounted for 24 percent of reported claims; for Boomer females, 22 percent of reported claims were for female reproductive disorders, and sprains, fractures and dislocations.

Statistics like those are hard to ignore. And yet, many Boomers, at the peak of their earning potential, risk their financial future by not protecting their income through disability insurance. ■

Economy-induced stress increases the need for EAP.

The U.S. jobless rate hit 9.7 percent in August, according to the Labor Department. That's the highest unemployment has been in this country in 25 years. Growing concern over job security has increased employees' stress levels, rocketing past last year's results, as shown in the chart below.



Gen Y, the youngest employees in the survey and the newest to the workforce, has experienced the highest level of stress regarding their employment. Often portrayed in the media as the Entitlement Generation, expecting a plum job and immediate advancement upon graduating from college, today's twentysomethings have been hit with the sobering truth of the current job market.

If they themselves have not been directly affected by layoffs, then they have friends or relatives who have. This, too, causes stress levels to rise. Employee Assistance Programs (EAP) offered through the workplace could provide employees who are feeling overwhelmed by the uncertainty of the job market with some measure of comfort, which would allow them to stay focused on their jobs.

If an EAP is available at work, it is recommended that the employer ensure employees are aware of the program and encourage utilization. ■

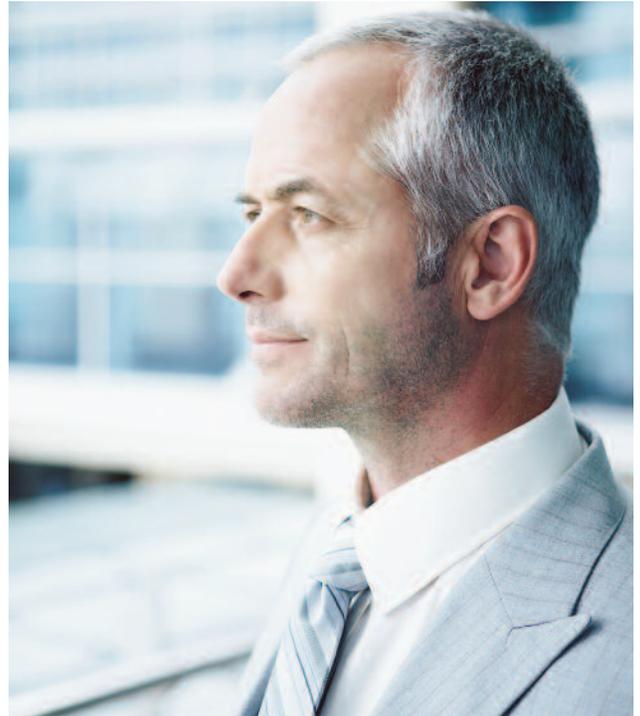
Personal finance concerns cause stress to spike.

The top three items causing employees stress from our Benefit Landscape Study are as follows:

- **Financial concerns:** 55 percent (the same as 2008).
- **Overall economy:** 43 percent (up from 32 percent in 2008).
- **Fear of losing job:** 27 percent (up from 11 percent in 2008).

The top three causes of stress among employees in this year's study were related to personal finances—from the economy to fear of losing one's job, each one reveals the uncertainty felt by many employees regarding their ability to save, pay bills, and maintain their current lifestyle.

The impact of the recession on employees' confidence can be seen across all three generational cohorts, particularly in regard to the economy and the fear of losing one's job; in each case, each generation reported a dramatic increase in the level of stress they felt. ■



	Gen Y 08	Gen Y 09	Percent of Change	Gen X 08	Gen X 09	Percent of Change	Boomers 08	Boomers 09	Percent of Change
Financial Concerns	58 percent	53 percent	-3 percent	52 percent	57 percent	+5 percent	55 percent	54 percent	-1 percent
Overall Economy	28 percent	45 percent	+17 percent	30 percent	38 percent	+8 percent	33 percent	46 percent	+13 percent
Fear of Losing Job	15 percent	27 percent	+12 percent	8 percent	27 percent	+19 percent	7 percent	26 percent	+19 percent

Employee benefits: A lifeline in tough times.

Recent economic troubles have forced employees to take stock of their company-sponsored benefits. For many, it's the first time they consider just how important health coverage, disability insurance, and a retirement plan are for their financial well-being.

Eighty-nine percent of employees participate in a health/medical insurance plan, when offered by their employer, according to The Hartford's 2009 Benefit Landscape Study; 80 percent of employees enrolled in a retirement plan, when offered, but only 41 percent had STD and 36 percent had LTD.

The lower participation rates for disability insurance could stem from misconceptions about how benefits work—and how they protect an individual's paycheck in the event of a disabling injury or illness.

Employers have the opportunity to educate employees on the importance of offering disability benefits. Without disability coverage, an employee is risking more than a sore back or broken bone; they are putting their financial health at risk as well.

Employers have an opportunity to encourage foresight.

Employers have an opportunity to become much more to their employees than the source of a steady paycheck. By understanding employees' concerns and acknowledging their struggles, employers can help ease some of the worry their workforce is feeling. Open, honest communication about the challenges ahead, as well as guidance on protecting their income through employer-sponsored benefits, should resonate with workers more now than ever before. ■

For The Hartford's research, independent market research agency Opinauri, Inc., conducted an online survey polling 1,019 U.S. adults, aged 18-64, in April 2009. Survey data was re-balanced to a nationally representative sample of 1,109 U.S. adults, aged 18-64. Additional over-quota interviews were completed to provide additional data for low-incidence groups.

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