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MOODY'S AND S&P DOWNGRADE HARTFORD

Hartford Financial Services Group (HIG) announced its earnings on February 6, 2009. The property and casualty underwriting division posted a quarterly combined ratio of 77.6%, for a year end total of 90.7%. These are excellent results despite the price decreases experienced in the marketplace. Hartford Life reported a fourth quarter loss of \$261 million. Hartford's Life fundamentals are very dependent on market value fluctuations, and will deteriorate if the extreme capital volatility continues. Thus while the property and casualty demonstrates strong results, the life division continues to struggle.

On February 9, 2009, Standard and Poor's announced that it was lowering its counterparty credit rating on Hartford Financial Services Group from A to A-. It also placed the ratings on HIG and its operating subsidiaries on credit watch with negative implications. Overall, the current ratings of the Hartford companies are AA- with the exception of Hartford Financial Services Group and Hartford Life, both currently at A-. S&P noted that they expect to resolve the CreditWatch status of the ratings within one month, following a further review of Hartford's investment exposures, capital needs and earnings prospects.

On February 6, 2009 Moody's also placed Hartford Financial Service on a negative outlook because of continued weakness in earnings and reduced capitalization resulting from investment losses and substantial business exposure to variable annuities. Moreover, the risk of further investment losses and diminished earnings is meaningful in view of unsettled markets and deteriorating economic conditions.

According to Moody's, the downgrade and negative outlook of the P&C insurance subsidiaries reflects (1) the actual and potential capital strain associated with the support of the life insurance operations, and (2) recent investment losses which contributed to the material reduction in statutory capital and the risk of further significant losses from investment exposures. Moody's notes that the core underwriting profitability remains very good, as accident year performance excluding catastrophes improved. "Moody's believes continued support would be forthcoming from the P&C operations should additional capital be needed by the life operations," said Jeff Berg, Moody's Senior Vice President. "Further deterioration in the stand-alone credit profile of the life companies could therefore result in a further downgrade of the P&C operations if extraordinary support were provided," Berg added.

In addition, investment losses in the P&C operating subsidiaries in excess of \$750 million pre-tax, which would inhibit organic capital generation, could also result in a downgrade. The P&C subsidiaries do not have the same level of investment risk exposure as the life operations; however, the rating agency noted that in addition to structured securities, they have above average holdings relative to other P&C peers in corporate debt and preferred stock -- asset classes likely to see increased defaults during the current economic recession. Moody's said the outlook for the P&C companies could return to stable if investment losses are moderate and dividends to the parent, which ultimately support life operations, are less than \$500 million, thus enabling the P&C companies to retain capital.

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