



Measuring the Effects of Employee Financial and Legal Woes

*Highlights from the
Internet survey
completed by
Harris Interactive and
Market Strategies*

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Contents

Executive Summary	3
Working Adults Legal Needs Opinion Report	4
Methodology	
Demographics	
Legal Life Events - Frequency	7
Family-related events	
Personal financial matters	
Events related to personal property	
Personal disputes or legal matters	
Summary – Frequency of Legal Life Events	
Attorney Effectiveness – Value of Having an Attorney Involved	10
Family-related events	
Personal financial matters	
Events related to personal property	
Personal disputes or legal matters	
Summary – Value of Having an Attorney	
Attorney Value vs. Frequency of Legal Life Events	13
Productivity Impact of Legal Life Events	14
Lost Productivity - Multiplier Effect	15
<i>Taking into consideration the Value of Having an Attorney, the Frequency of the Event, now combined with the relative productivity loss.</i>	
Focus on the Legal Life Event needs of Working Adults	16
Financial Events	
Credit Issues	
Family Events	
Effectiveness of Group Legal Plans	17
Summary.....	18

Executive Summary

Market Strategies, LegalWise North America, and Harris Interactive worked jointly to create a questionnaire that addressed the objectives of the first significant study since 1986 on the subject of group legal plans. From the Harris Poll Online Panel of over 6 million respondents, 638 qualified respondents – full time employees between the ages of 25 and 55 – completed the Internet survey between August 12th and August 17th, 2000, providing a 95% Confidence Level in the results.

Last year, 7 out of 8 of all employees experienced at least one Legal Life Event. Legal Life Events were segmented into four areas: Family Events, Financial Events, Events relating to Personal Property, and Legal Disputes. Almost half of all employees experienced three legal life events during the past 12 months; two-thirds had two or more events.

The study then evaluated the relative value of having an attorney, removing cost as a factor. Over 1/4 of all employees sought the advice of an attorney last year, even if only on a simple matter; most of these contacts were of brief duration. Not surprisingly, employees most valued having an attorney involved when faced with a lawsuit, DUI, Estate Planning, credit issues, tax disputes, divorce, and child support, while perceiving little value for such issues as child birth or getting married.

To resolve their Legal Life Events, employees spent an average of 7 days away from work per year, plus 9 hours on the job, equating to \$1,625 of annual cost to the employer per employee (based on the mean sample \$50,000 salary). Taking into consideration the value of an attorney and the Frequency of Legal Life Events, combined with the relative productivity loss, the top 10 legal life events of working adults become clear: child support issues, death of a family member, divorce, credit/bankruptcy, tax disputes, lawsuits, traffic tickets, vendor disputes, and estate planning (in that order, and ignoring job loss).

Some specific revelations included:

- Only 4% of all Employees had a will completed or updated in the past year
- One fourth of all Employees had a credit problem, up to and including filing for bankruptcy
- Employees rated credit issues as having the 4th highest value of having an attorney involved, after only: being involved in a lawsuit, wills/estate planning, and DUI; yet only 15% spoke with an Attorney.
- By far, the most time off is taken for family-related Legal Life Events
 - Divorce - 7.3 days off plus almost 10 hours of lost time (Rated 7th highest in terms of legal assistance value)
 - Death of Family Member - 8.3 days off plus over 12 hours of lost time (11th highest in terms of legal assistance value)
 - Child Support - 26 days off plus almost 27 hours of lost time (4th highest in terms of legal assistance value - tied with tax disputes and credit issues)

Unfortunately, most group legal plans do not provide comprehensive coverage for many of these top ten legal life events. Only one of the five major group legal plans provides coverage for the top event: child support. Only two major plans provide coverage for the next three highest: death of family member, contested divorce, and credit / bankruptcy issues. More provide tax and traffic assistance, while all of them provide at least some assistance with legal disputes and wills (although only one major plan provides legal assistance for more complex estate planning devices).

AT&T is one of the few major employers (if not the only one) which has had experience with three of the five major group legal providers. With this experience, they have determined the following criteria to be most important in choosing a provider: Comprehensive plan benefits, including coverage for family law, bankruptcy, complete estate planning and probate issues, flexibility from the Provider, including choice of plan, minimal employee complaints, and the ability to provide effective implementation. In order to have a positive impact on lost productivity, it is important to choose a group legal plan wisely.

Working Adults Legal Needs Opinion Report

Methodology

Questionnaire Development

Market Strategies, LegalWise North America, and Harris Interactive worked jointly to create a questionnaire that addressed the objectives of the study.

Respondents

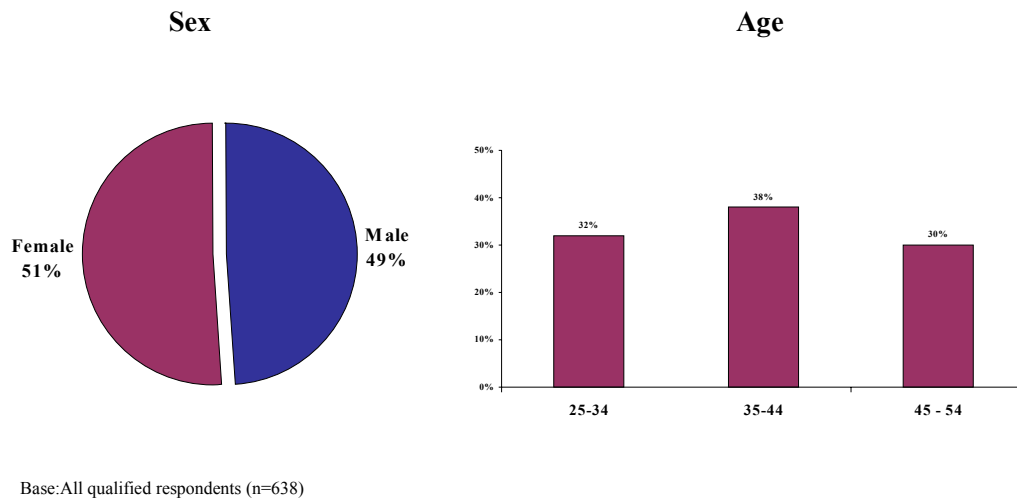
Respondents for this study were chosen from the Harris Poll Online Panel of over 6 million respondents. Qualifications were:

- Employed full-time
- Do not work in Insurance or Legal Services
- Are not an Attorney, Human Resources Professional, Judge or Legal Professional
- Between the ages of 25 and 55

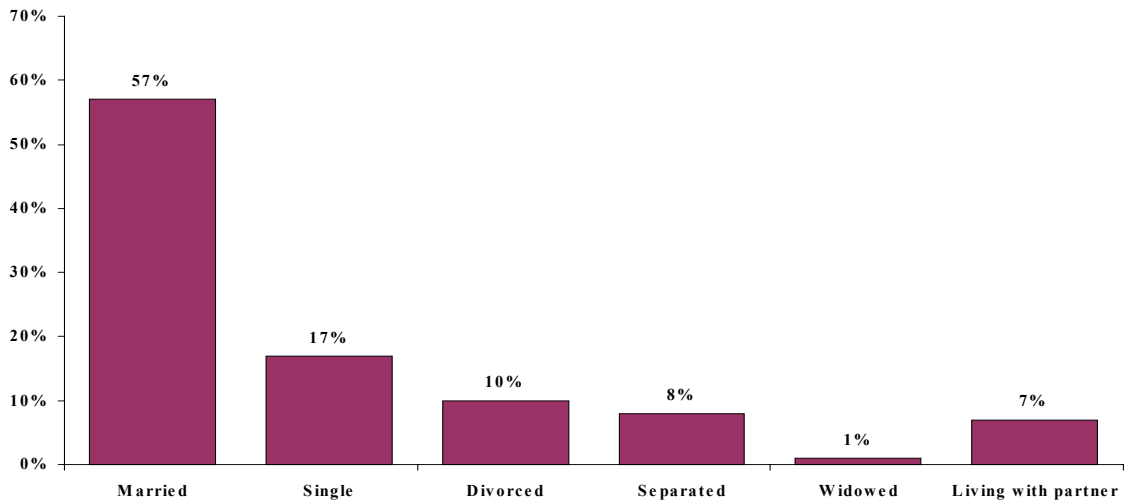
Data Collection Method

Respondents were sent an e-mail invitation directing them to the Harris Poll Online Survey. 638 qualified respondents completed the Internet survey between August 12th and August 17th, 2000, providing a 95% Confidence Level in the results.

Demographics

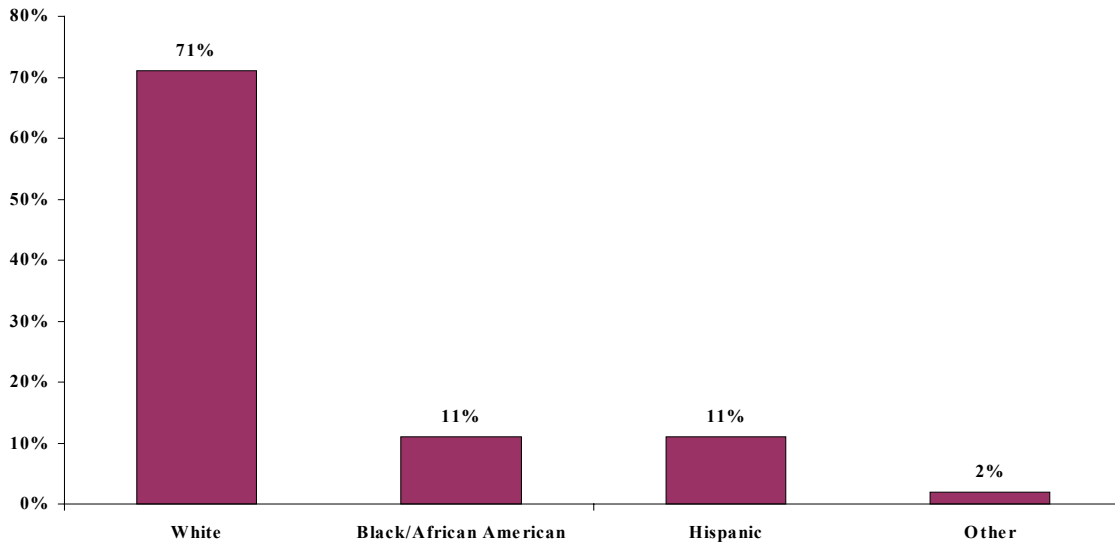


Marital Status



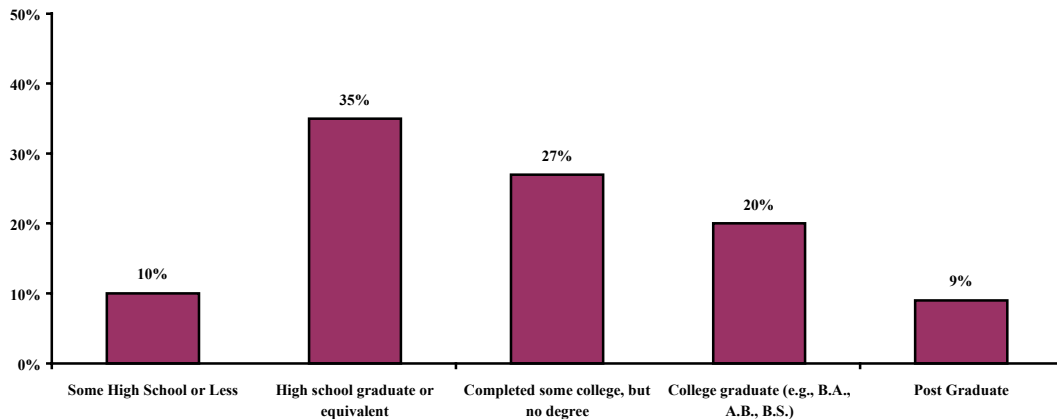
Base: All qualified respondents (n=638)

Race

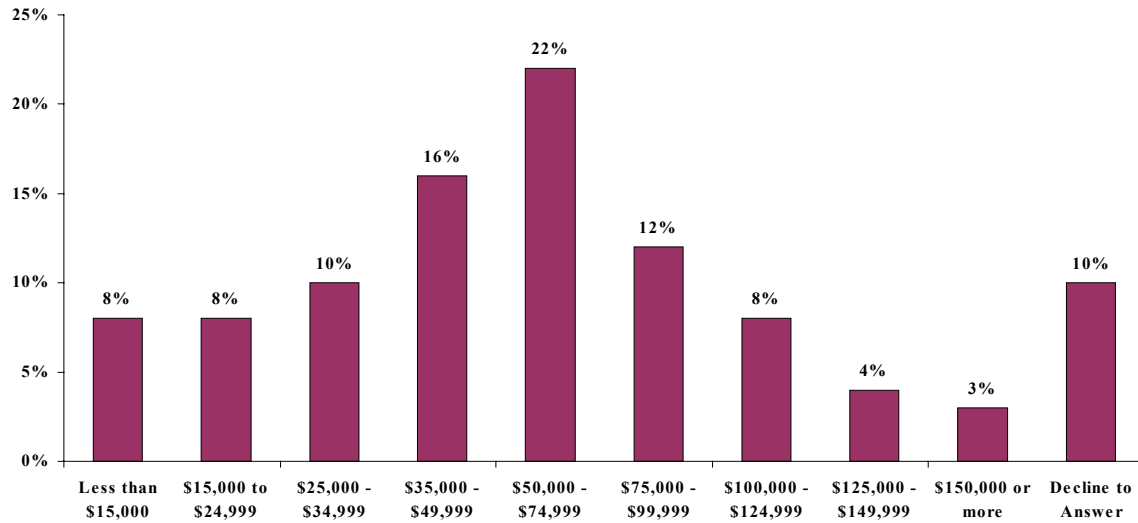


Base: All qualified respondents (n=638)

Education

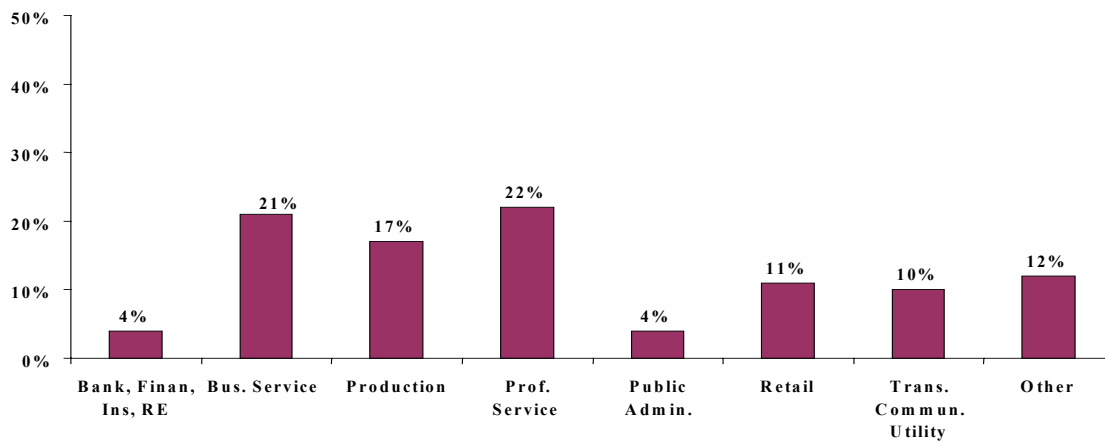


Income

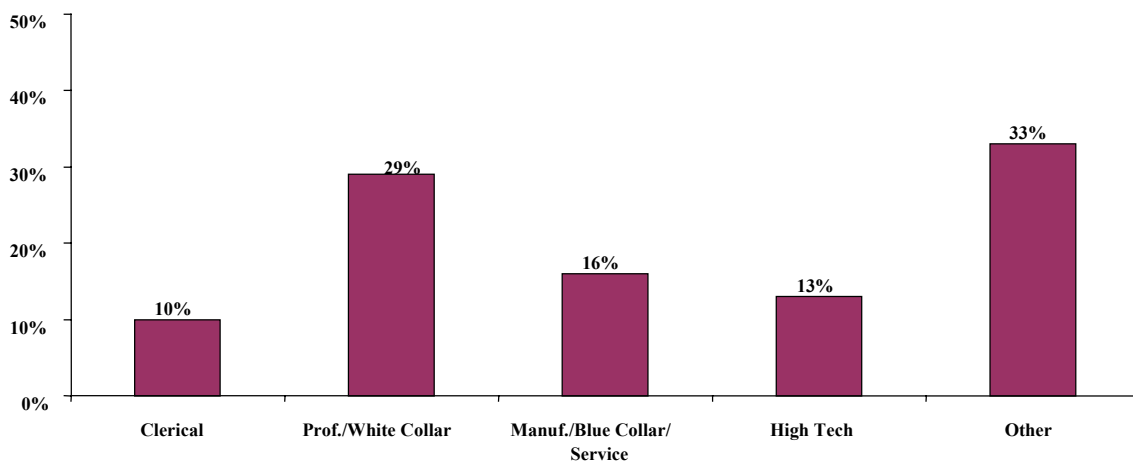


Base: All qualified respondents (n=638)

Industry



Profession



Base :All qualified respondents (n=638)

Legal Life Events

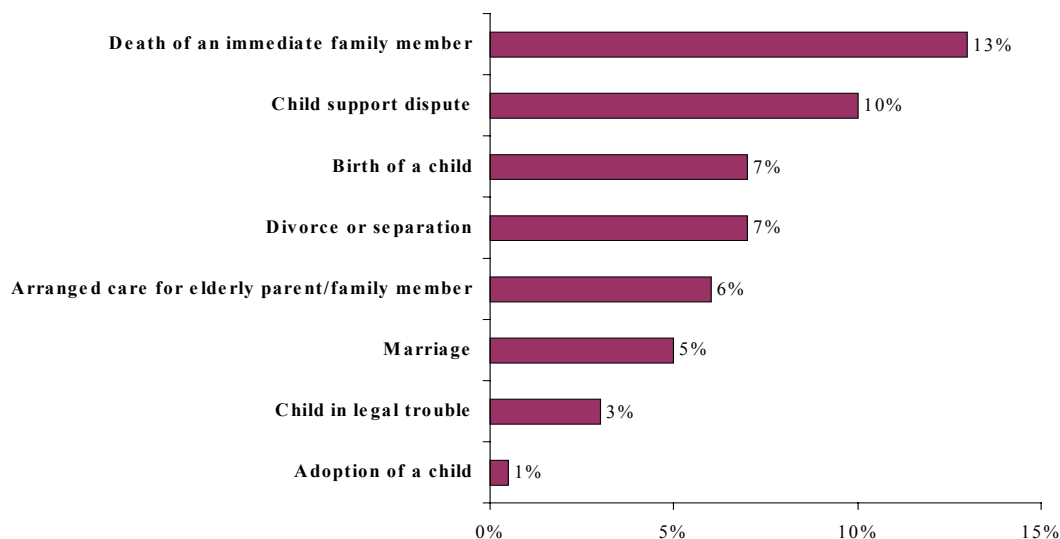
Fact

7 out of 8 of all employees experienced at least one Legal Life Event last year.

Family-related events

Examples include: Death of a family member, child support, & divorce.

241 respondents (**37.7%**) experienced a family-related event.

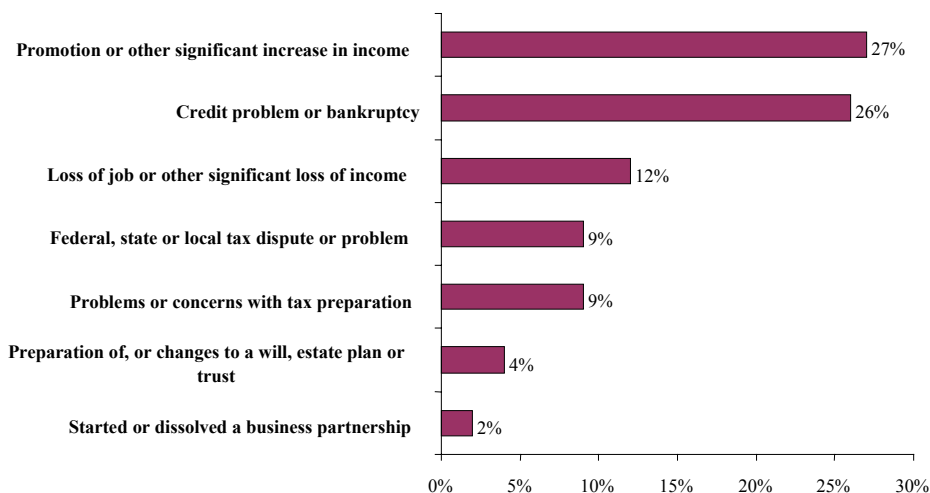


Base: All qualified respondents (n=638)

Personal financial matters

Examples include: Credit problems, loss of job, estate planning, tax issues.

333 respondents (**52.2%**) experienced a personal financial matter.



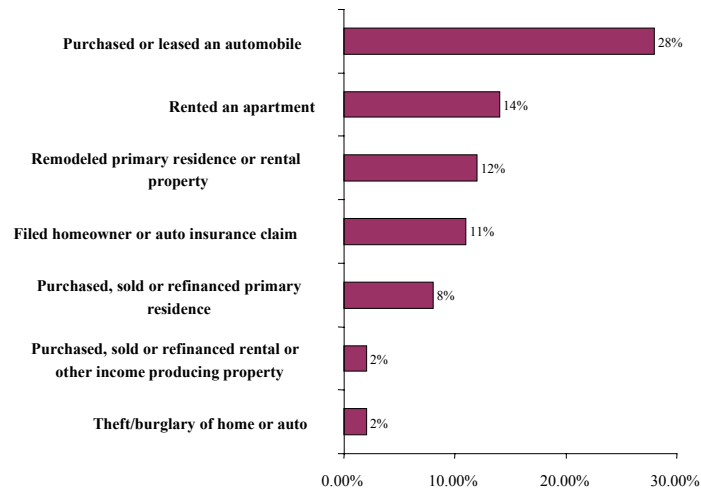
•Overall, those that are Divorced or Separated were much more likely to have experienced a financial matter than those that were married or single, especially credit problems or bankruptcy.

Base: All qualified respondents (n=638)

Events related to personal property

Examples include: purchasing or leasing an automobile, renting an apartment, purchasing, selling or refinancing primary residence.

358 respondents (**56.1%**) experienced an event related to personal property.



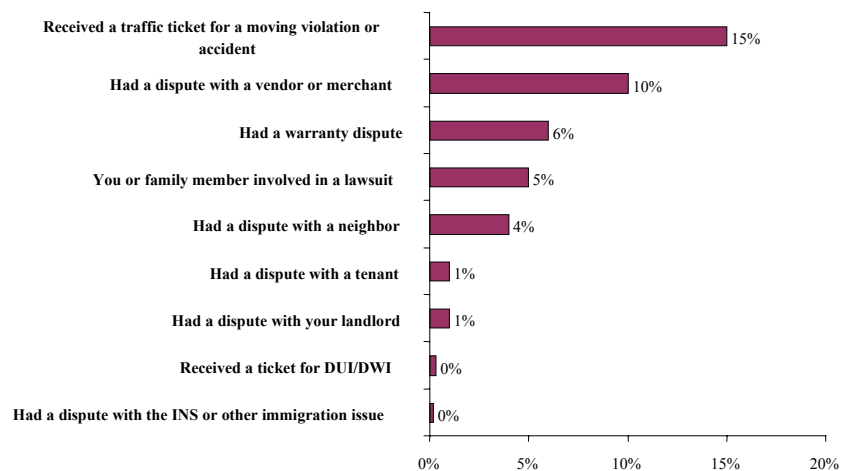
- Males were more likely than females to report experiencing an event related to their personal property although there was no significant difference between the specific events.
- Those with an income less than \$35,000 were less likely to purchase or lease an automobile than those with a greater income.

Base: All qualified respondents (n=638)

Personal disputes or legal matters

Examples include: traffic tickets, dispute with a vendor, warranty dispute.

204 respondents (**32.0%**) experienced a personal dispute or legal matter.

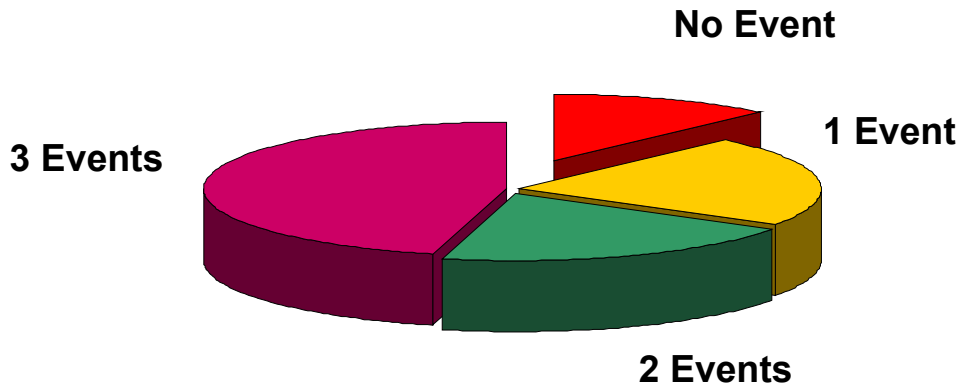


- Those respondents that are Separated were more likely to report experiencing a personal dispute or legal matter although there was no significant difference between the specific events.
- There was a higher number of respondents in the High-Tech profession experiencing a lawsuit than any other profession.

Base: All qualified respondents (n=638)

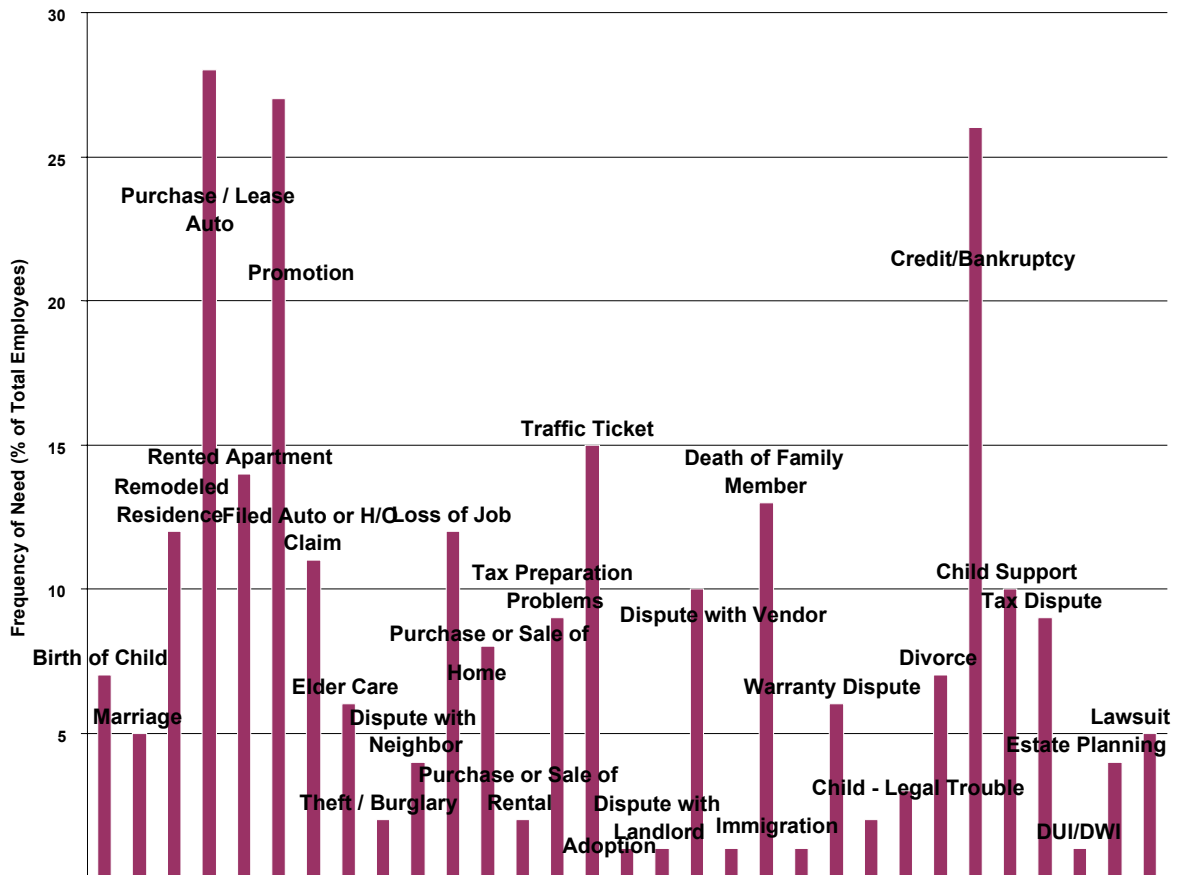
Fact

**Almost half of all employees experience three legal life events each year;
Two-thirds had two or more events.**



Summary – Frequency of Legal Life Events

A comprehensive review of all Legal Life Events displaying the frequency of need during the past 12 months (frequency is as a % of total employees, with a 95% confidence level).



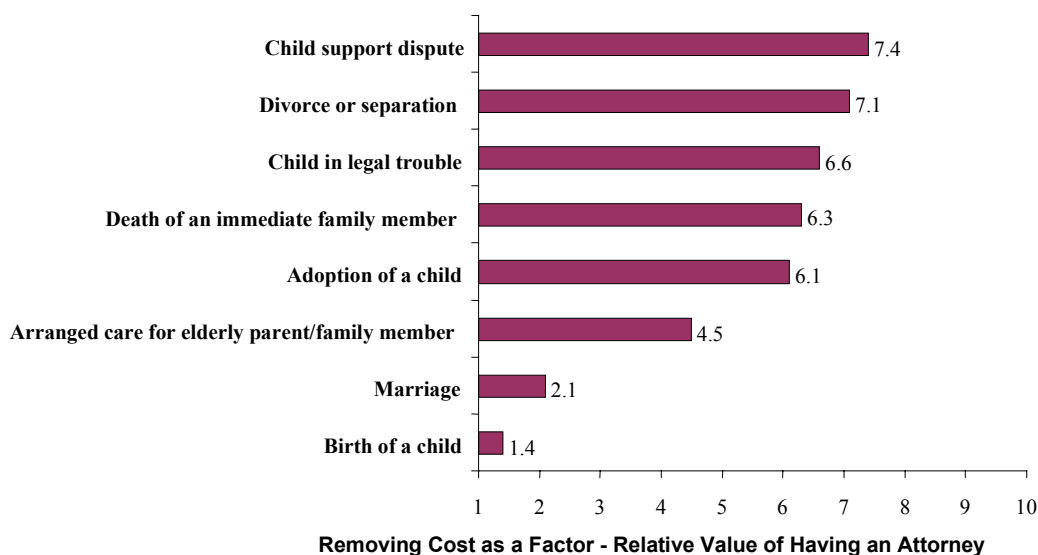
Attorney Effectiveness –Value of Having an Attorney Involved

Fact

- **93% of Employees having a legal plan surveyed rated their Attorney experience Very Good to Excellent!***
- **Over 1/4 of all employees sought the advice of an attorney last year, even if only on a simple matter. Most of these contacts were of brief duration.**

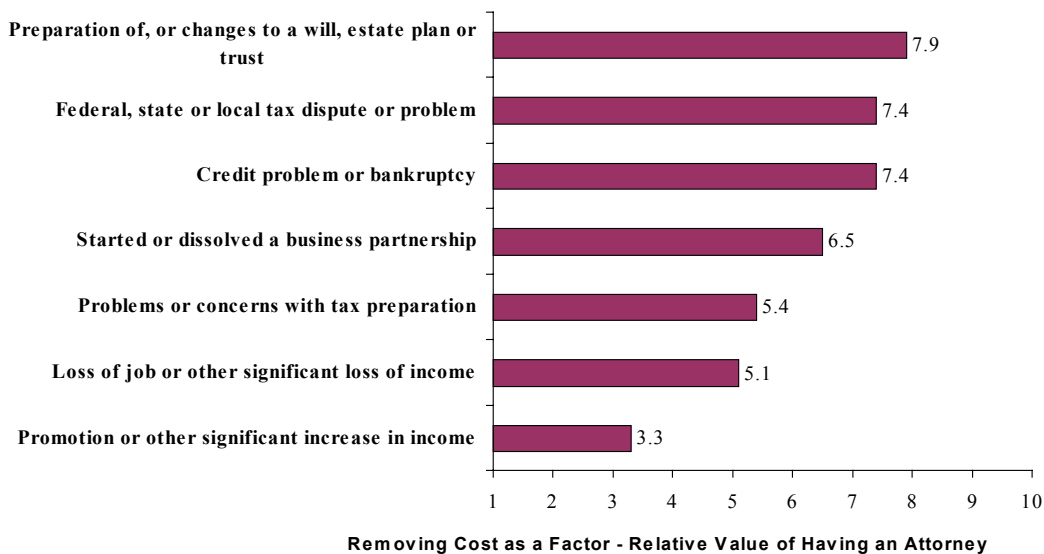
*Separate Study conducted by LegalWise

Family-related events



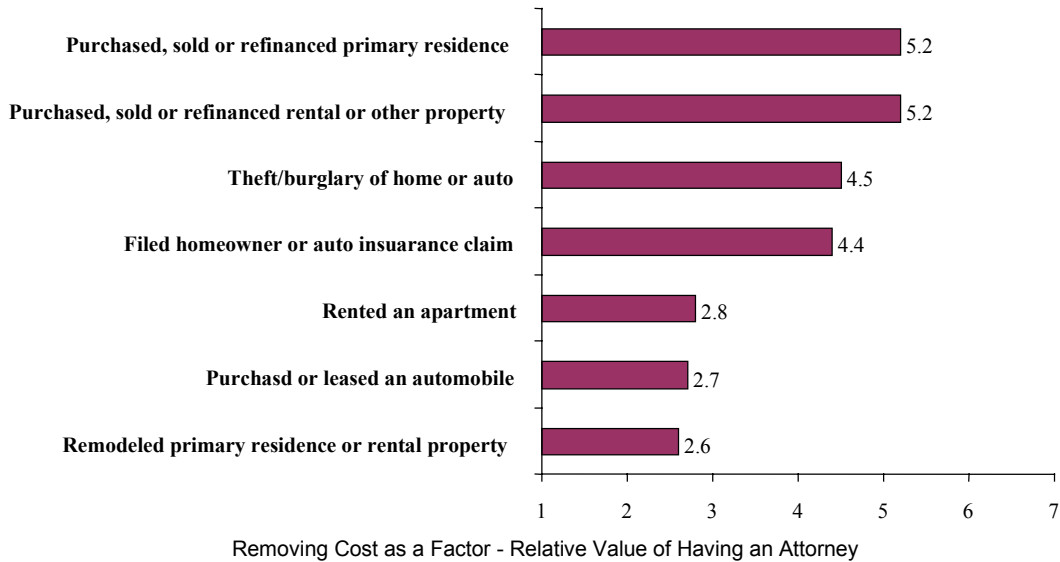
Base: Respondents who did not contact an Attorney for Family Events (n=133)

Financial events



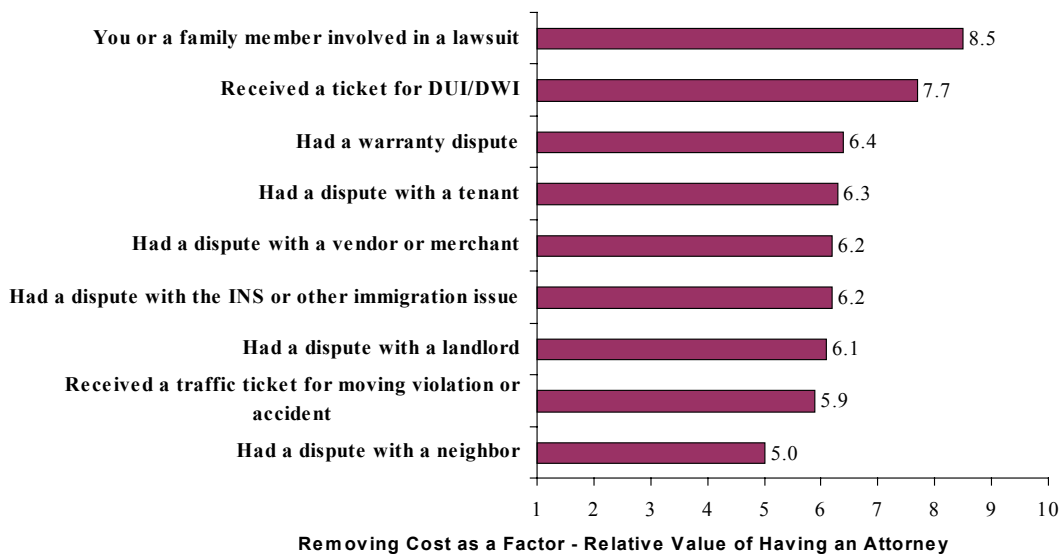
Base: Respondents who did not contact an Attorney for Financial Events (n=283)

Personal property events



Base: Respondents who did not contact an Attorney for Property Events (n=324)

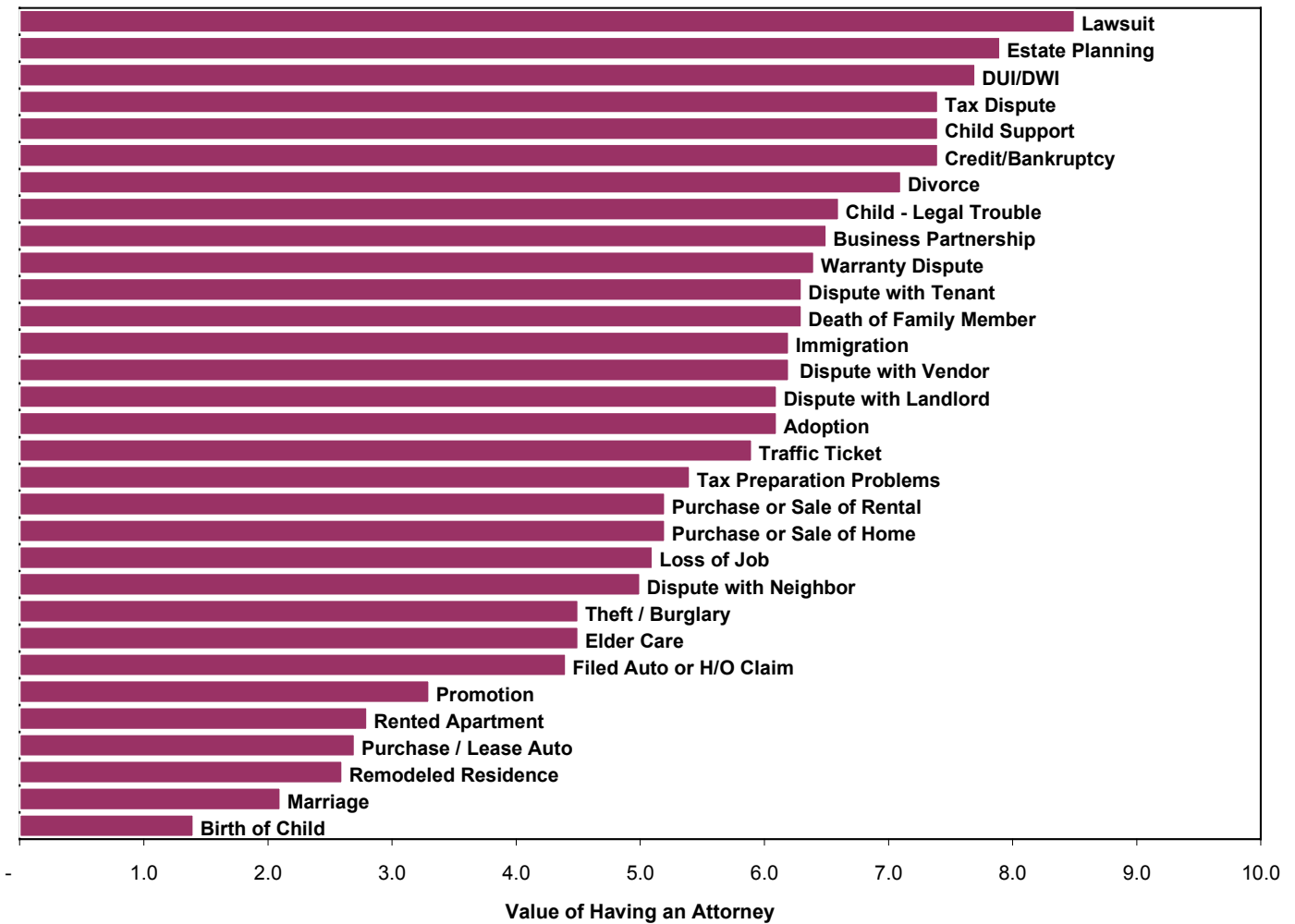
Personal disputes



Base: Respondents who did not contact an Attorney for Dispute/Legal Matter (n=155)

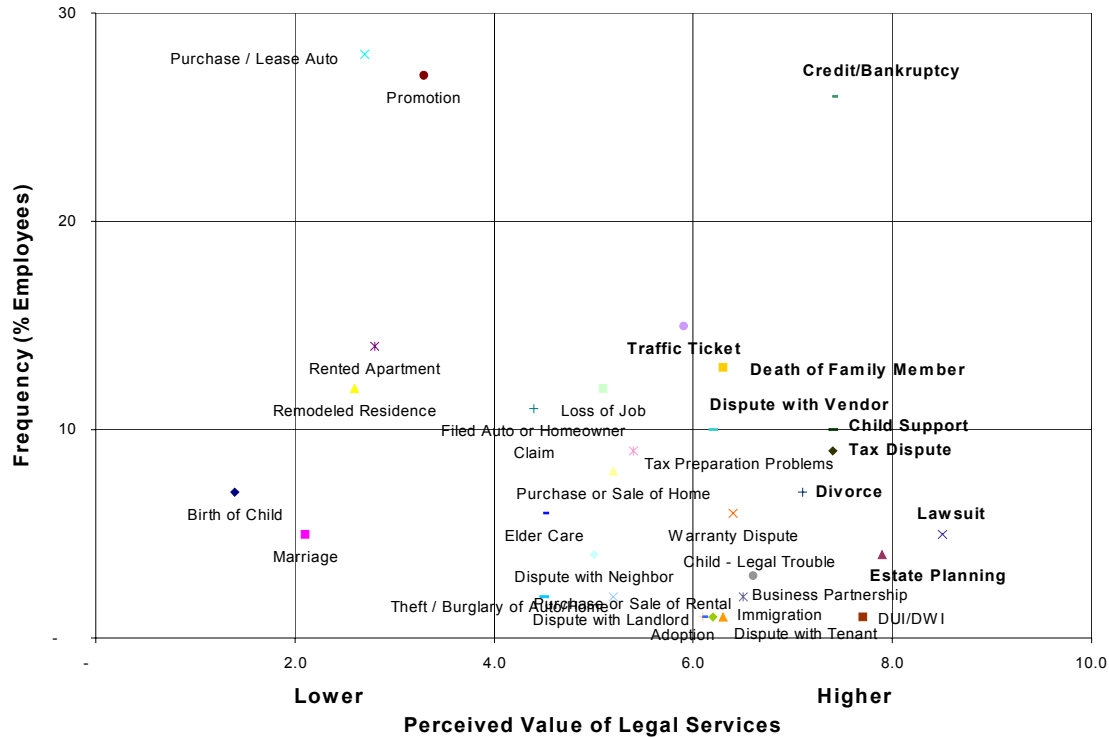
Graphs represent respondents' rating of their view of the value of having an attorney involved, removing cost as a factor (scale is mean rating on a scale of 1 to 10).

Perceived Value of Having an Attorney - Summary



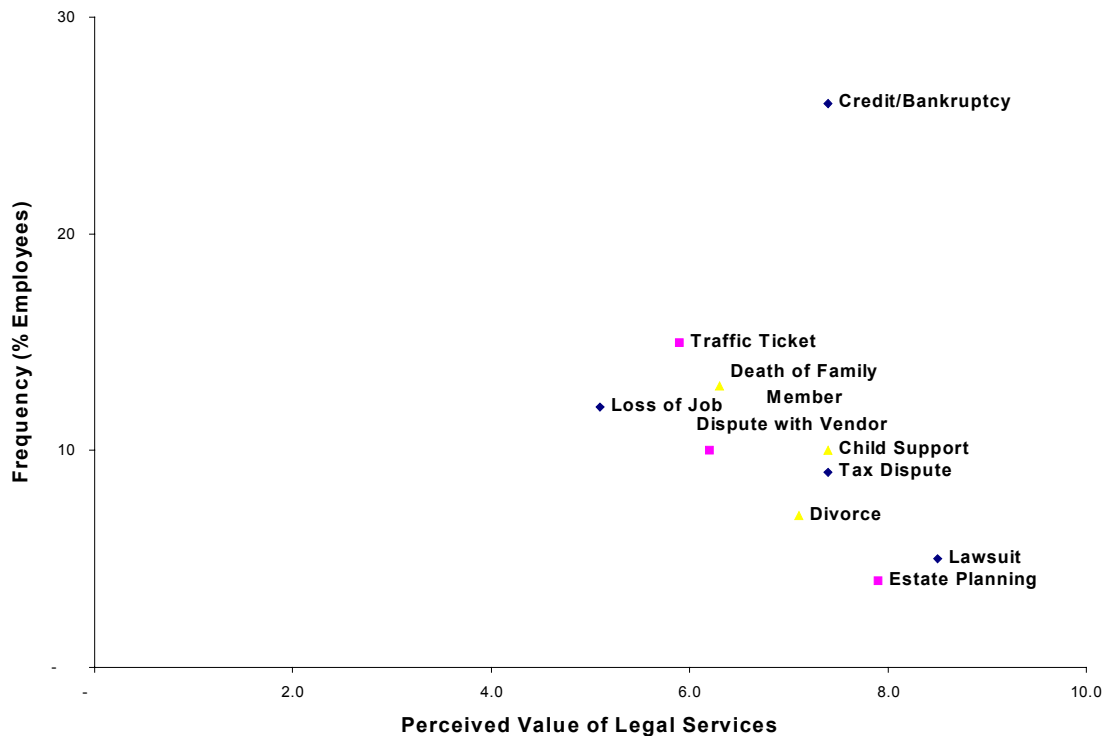
Attorney Value vs. Frequency of Legal Life Event

Combining the Frequency of Need vs. the Value of having legal services . . .



Top 10 Value vs. Frequency

Magnifying the high-value quadrants in the chart above, the top 10 Legal Life Events of working adults, based on the perceived value of providing legal services relative to frequency of need, are as follows . . .

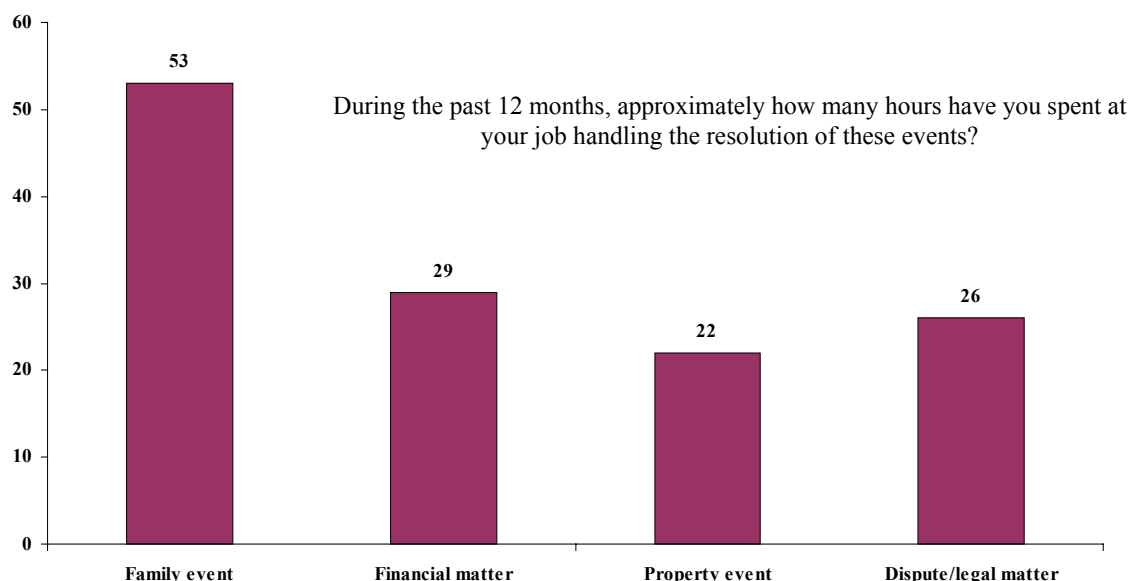


Productivity Impact of Legal Life Events

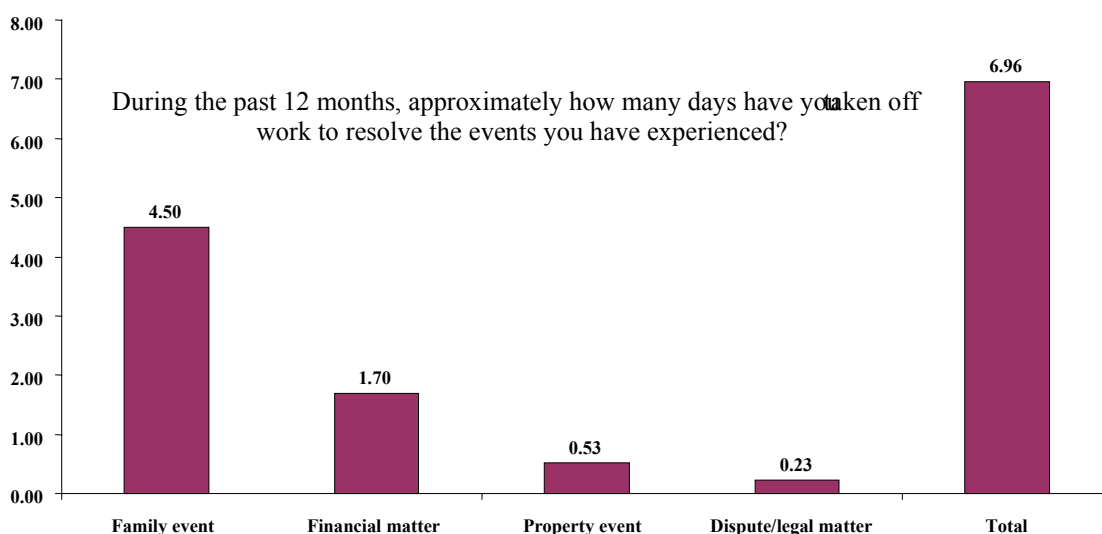
Fact

- Employees are more affected by their Legal Care than they are by their Medical Care, Dental Care, or Pet Care.
- Employees are three times as likely to be involved in a legal action than to be admitted to a Hospital.
- Employees take more time away from work attending to legal life events than they do to see a dentist.

On average, respondents spent 53 hours on the job to resolve their family-related event.



Across the entire sample, on average, employees spent 7 days off from work resolving Legal Life Events



Summary: Productivity Loss to Resolve Legal Life Events.

- **To resolve all of the events, respondents spent an average of:**

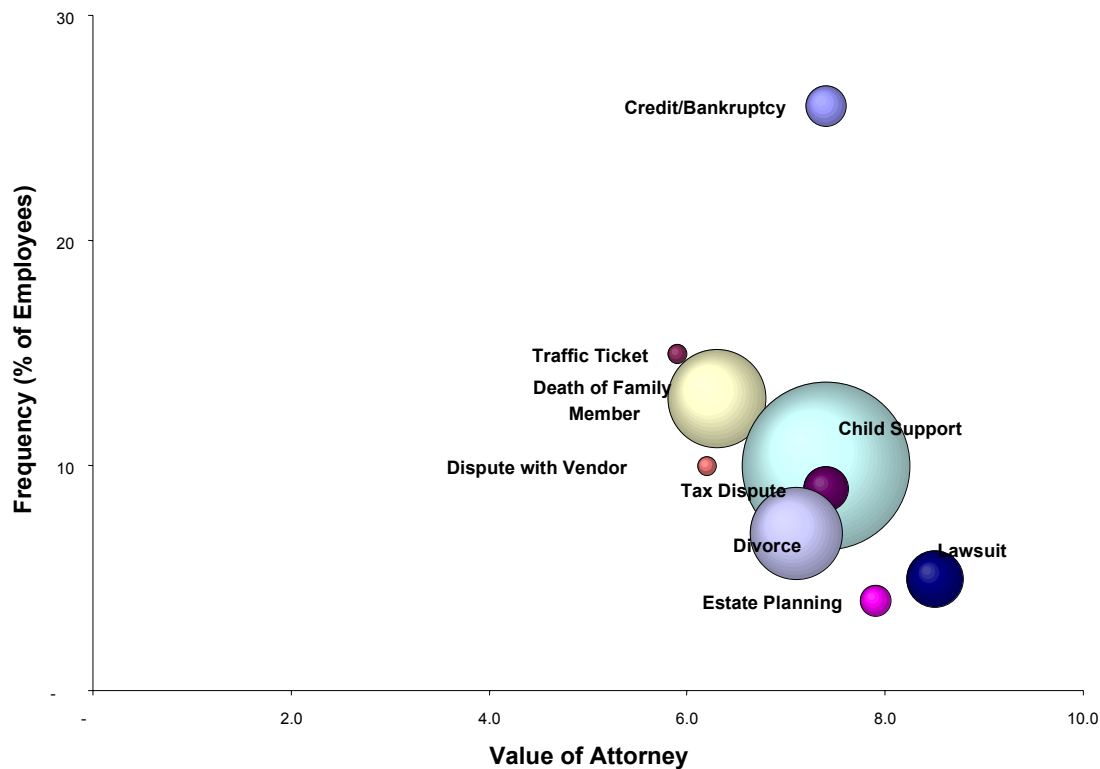
- 9 hours at work, PLUS
- 7 days away from work.

- **For an individual with a salary of \$50,000 this time amounts to:**

- \$225 for lost productivity.
- \$1,400 for days off.
- **\$1,625 annual cost to the employer per employee**

Lost Productivity - Multiplier Effect

Taking into consideration the Value of Having an Attorney, the Frequency of the Event (as seen before), now combined with the relative productivity loss (as reflected by the size of the sphere) for the top 10 events . . .



Focus on the Legal Life Event needs of Working Adults

Focus: Financial Events

- Estate Planning - Only 4% of all Employees had a will completed or updated in the past year.
- Tax Disputes - 9% of all Employees had a tax dispute last year.
- Credit Problems or Bankruptcy - One fourth of all Employees had a credit problem, up to and including filing for Bankruptcy!

Focus: Credit

- 26% of all Employees had a credit problem last year.
- Respondents rated credit issues as having the 4th highest value of having an attorney involved, only after being involved in a lawsuit, wills/estate planning, and DUI.
- Only 15% of all respondents having credit problems spoke with an Attorney.
Almost a third of the remainder (30%) thought an attorney would be too expensive
- There were a total of 1.2 million bankruptcies in 1999, up four-fold from 1981*
- Non-mortgage debts equal 22 months of income in 1997, up from 9 months*
- Loss of job, serious medical problems, or economic impact of divorce - not poor financial management - accounted for more than two thirds of all bankruptcies*

**"The Fragile Middle Class"* (Yale University Press, 2000)
Elizabeth Warren, Teresa A Sullivan, and Jay Lawrence

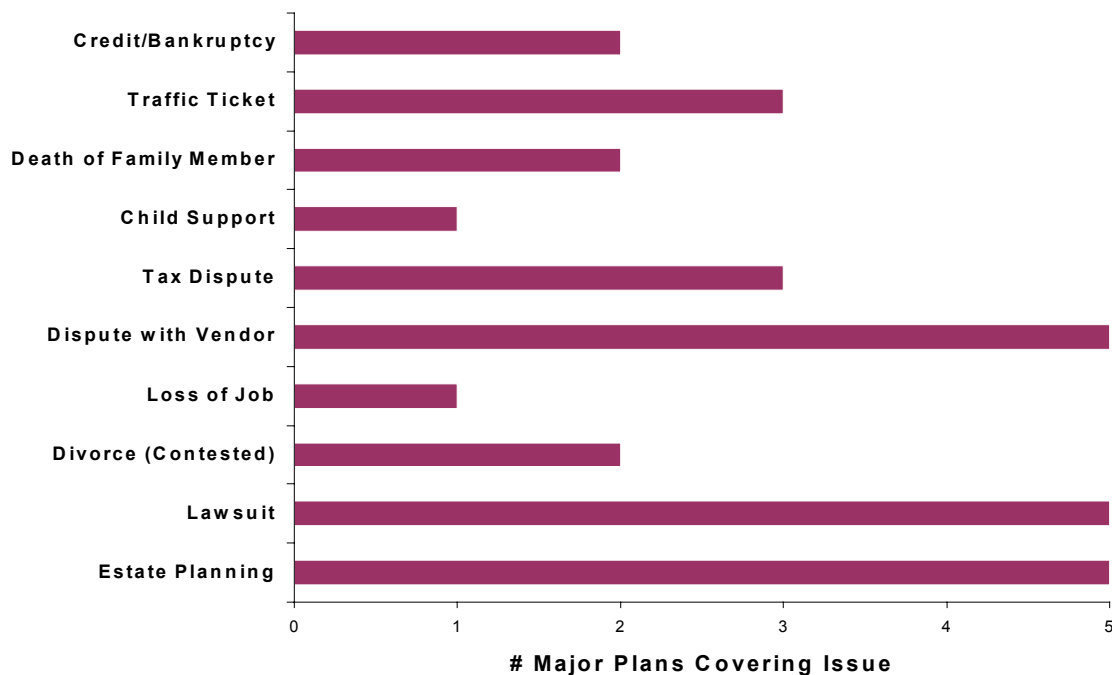
Focus: Family Law

- By far, the most time off is taken for family-related Legal Life Events
- Divorce - 7.3 days off plus almost 10 hours of lost time
(Rated 7th highest in terms of legal assistance value)
- Death of Family Member - 8.3 days off plus over 12 hours of lost time
(Rated 11th highest in terms of legal assistance value)
- Child Support - 26 days off plus almost 27 hours of lost time
(Rated 4th highest in terms of legal assistance value - tied with tax disputes and credit issues)

Effectiveness of Group Legal Plans

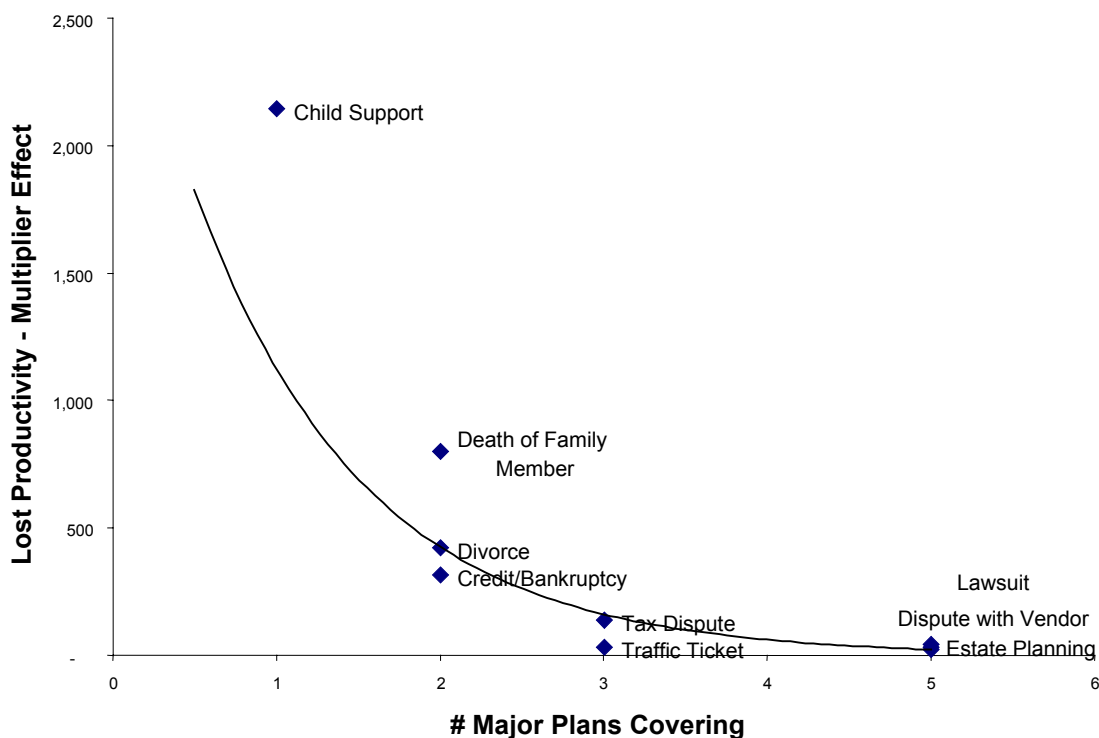
Group Legal Plans - What do they cover?

Based on the plans provided by the top five nationwide providers of group legal plans . . .



Coverage Benefits vs. Employer Needs

Frequency of Legal Life Events, Value of an Attorney, and Productivity Loss combined (along the vertical axis) – compared to the number of major group legal providers offering coverage (along the horizontal axis), shows an inverse relationship between the number of plans offering coverage that is most valuable to employers and employees alike . . .



Summary

- *7 out of 8 employees experienced at least one Legal Life Event last year*
- *Half of all employees experienced 3 or more Legal Life Events*
- *Employees spend an average of 7 days away from work, and 9 hours of lost productivity during work due to Legal Life Events*
- *Bankruptcy, Divorce, Child Support, and Probate are key coverages for employers as well as for employees*
- *Partnering with the right provider makes the employer's life easier, and provides proper coverage for employees*