

**Statement for the Record Submitted to
The United States Senate Committee on Finance
“Paid Leave Proposals in the COVID Era” Round Table
June 18, 2020
On behalf of
The American Council of Life Insurers**

On behalf of the American Council of Life Insurers, we thank you for the opportunity to submit for the record our views on paid family leave solutions.

As Congress searches for paid leave solutions that support workers who need a leave of absence, there’s an opportunity for a partnership between the private and public sectors. What’s essential is the ability for employers to provide coverage through private short-term disability income insurance or other private market tools.

Whether it’s childbirth, adoption, a family health crisis, or a worker’s own health crisis, workers shouldn’t have to choose between their paycheck and their loved ones. The COVID-19 pandemic has highlighted the gaps in the national framework for wage replacement.

Our federal government responded quickly and appropriately to meet the short-term paid leave needs of workers who were unable to work due to state emergency orders and to support those that were unemployed suddenly and unpredictably due to the pandemic. After the crisis subsides, we’ll need to find a long-term, sustainable solution.

Helping people care for their loved ones is life insurers’ most critical mission. As lawmakers consider federal solutions, they can look to the sector with a proven record of timely, vital wage replacement at a minimal cost to the employer or employee.

Private disability income insurance offered by life insurers is the most common form of income protection for workers—allowing millions of American workers to maintain their income when a medical condition or the birth of a child keeps them out of the workplace.

In fact, about 47 percent of all full-time civilian workers are provided paid medical leave under their employer’s short-term disability plan and half of civilian workers in a union have access to short-

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 280 member companies represent 94 percent of industry assets in the United States.

term disability benefits.¹ Short-term disability plans provide paid leave for employees' inability to work due to a medical condition. In 2018, the private employer-based system paid American workers approximately \$5.2 billion in short-term benefits as they recovered from conditions that kept them from working.²

Life insurers have advanced suggestions that would both expand the scope of available private insured paid leave options for employers as well as incentives to enable more employers to offer paid family and medical leave benefits to their employees. As is reflected above, while many employees are currently protected, more workers need meaningful income replacement benefits to cover paid family and medical leave.

Attached to this statement are additional details on suggestions advanced by the life insurance industry to expand the options available to employers and employees and for specific incentives to enable more employers to provide paid leave for their employees. We are committed to working with Congressional leaders to advance these and additional options to expand private solutions that meet employers' and employees' needs.

For decades, life insurers have assisted states in the administration of unpaid and protected family leave. Life insurers have the expertise, systems, and staff to provide and assist administration of PFML benefits in programs – expertise that could help effectively manage any new programs rather than government creating new government-run mandated programs.

Workers shouldn't be penalized for taking time off to care for their families when needed. We stand ready to work together towards solutions that enable Americans to secure financial security throughout their life. Let's continue the dialogue and work to find viable solutions that meet this fundamental need across America.

¹ Bureau of Labor Statistics, 2018 National Compensation Survey, retrieved May 3, 2019 (<https://data.bls.gov/cgi-bin/dsrv?nb>)

² 2 ACLI calculation based on 2018 National Association of Insurance Commissioners (NAIC) annual statement data.



Life Insurance Industry Response to Paid Leave Proposals

Non-COVID-19 specific federal and state paid leave proposals should be addressed separately from COVID-19 emergency response legislation. When government-mandated PFML laws provide coverage only through a government-run program that is funded through taxes or assessments, the American Council of Life Insurers (ACLI) will affirmatively advocate to allow an employer to opt out of the government funded program via the purchase of private insurance or through self-funding of the mandated coverage. The ACLI may oppose legislative language that will not allow an employer to opt out of the government-funded program via the purchase of private insurance or through self-funding of the mandated coverage.

ACLI supports sustainable paid family and medical leave laws (PFML) that include the preservation of the ability for coverage through private short-term disability income insurance or other private means. When government-mandated PFML is proposed, ACLI will support legislation that allows employers to meet the mandated coverage requirement through: a plan that fully comports with the mandate requirements via private insurance coverage; a self-funded plan; or, a combination private insurance/self-funded plan.

ACLI supports laws that allow life insurers to expand the availability of wage replacement coverage for family leave purposes. Enhancing the availability of this coverage is best done via amendment to a state's accident and sickness/disability income insurance law, where such coverage can be provided as a rider to a disability income insurance policy or on a freestanding basis, as disability income insurance currently provides the most extensive coverage to employees for wage replacement purposes. Any such law must provide applicable definitions, outline the minimum standards for qualifying events, and require the disclosure of policy benefit.

Incentives will encourage more employers to offer paid leave benefits.

The Fischer tax credit provides employers with a credit for wages paid to lower income workers that take leave to care for a newly born or adopted child, for their own medical care, and to care for a family member. However, the two-year initial duration of the credit and subsequent one-year extension do not provide the certainty and ability to plan for a longer term for employers considering offering a paid leave benefit. The credit should be made permanent, or at a minimum, for at least 5 years. Further, the Fischer credit should be modified to ensure that employer sponsored short-term disability insurance coverage and other paid medical and family leave benefits would qualify for the credit. Beyond the Fischer credit, additional targeted tax incentives could make offering paid leave benefits to employees more attractive. When employer sponsored family leave plans are offered on a cost shared or employee paid basis, premiums can be made more affordable for low income workers

through premium tax credits like those established in the Affordable Care Act for health care coverage.

The cost for businesses starting up a new PFML plan can be offset by offering them a start-up credit like the credit available for starting up a retirement plan.

The recently enacted SECURE Act enhanced that start-up credit. Arrangements such as multiple employer trusts and associations may enable more small employer groups the opportunity to offer paid leave benefits. To make such arrangements easier to facilitate, legislation should facilitate better coordination between the DOL and States over oversight and reporting to ensure consistent application across States over licensing, registration, certification, financial reporting, examination, and audit.

Employer-based paid leave provides the most generous benefits in the most efficient manner possible.

New employer mandates impose additional costs on employers and may limit the ability for new and innovative businesses to develop and flourish. A nimble economy offers the greatest opportunity for new and innovative businesses to develop new and more generous leave benefits. Mandated paid leave requirements would pose significant challenges for many of those businesses that are not yet be able to offer paid leave to their employees. The Cassidy–Sinema proposal provides a \$5,000 payment for new parents funded through the future reduction of the child tax credit. While employer paid leave programs are clearly preferable, ideas such as Cassidy-Sinema ensure that families have resources to provide for their families while on job protected leave while helping American businesses compete globally and add jobs to local economies.

Continue leveraging private sector management to coordinate absence benefits with other benefits offered by employers.

By relying on the private sector to work with employers, this coordination can be better aligned with each employers' overall benefits package.