

# LIFE INSURERS' ROLE IN PAID FAMILY AND MEDICAL LEAVE

**\$4.6 BILLION**

in short-term disability insurance benefits...



**25%**

of short-term disability claims are related to pregnancy and maternity.



**47%**

of full-time civilian workers receive paid leave...



under their employer's short-term disability plan.



■ **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 2017, the private employer-based system paid American workers approximately \$4.6 billion in benefits as they recovered from conditions that kept them from working, including those associated with pregnancy and the birth of a child. Twenty-five percent of all short-term disability claims are related to pregnancy and maternity. Currently, many state mandated leave programs allow employers to meet the requirements of paid medical leave for an employee's medical condition through a short-term disability plan. Others may also allow employers to meet other requirements of PFML programs via private industry.

■ **The elements of PFML can be confusing.** For example, the "ML" in PFML is fairly straightforward and typically is provided by an employer through short-term disability insurance and/or a self-funded program. It provides income replacement when an employee is unable to work due to a medical condition. The approach to the "FL" in PFML is far less straightforward. There is no uniform definition for paid family leave amongst the states, localities, or the federal government. This includes varying covered caregiving events, durations of covered leave and ranges of income replacement. Paid paternity/parental leave is almost always an employer-funded income replacement for time off to care for and bond with a newborn or adopted child.

■ **In jurisdictions with PFML requirements there are significant variations:**

- Maternity leave can range up to 12 weeks.
- Maximum medical leave can range up to 52 weeks.
- Maximum income replacement can range from \$170 week to \$1,252/week.
- Plan eligibility and funding formulas differ.

■ **Short-term disability insurers already provide much of the paid family and medical leave that would be required under new PFML proposals.** Approximately 47% of all full-time civilian workers are provided paid leave under their employer's short-term disability plan and approximately 50% of civilian workers in a union have access to short-term disability benefits. Short-term disability plans provide paid leave for employees' inability to work due to a medical condition. The most common benefits under these policies pay for maternity leave - typically for a period of 6 to 8 weeks following the birth of a child, and for additional paid time during pregnancy if medically necessary. The typical short-term disability plans provide income replacement (usually between 60 - 67%) for 26 weeks. Private short-term disability insurance policies do not provide coverage for paternity/parental leave.

“ACLI’S CARRIERS  
HAVE THE  
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IN PROGRAMS.”

■ **Private disability insurers are able to protect American workers whose short-term absences extend into the longer-term.** Private insurers not only help employers protect their employees who face short-term absences, they also seamlessly transition workers whose absences extend beyond the short term. Most disability carriers administer benefits for both short- and long-term disabilities, and do so with minimum burden on employers and employees and without disruption of income benefits. Information gathered during a short-term absence is used to ensure that those workers who are unable to return to work don’t face a second significant financial disruption as their short-term benefits expire. Long-term disability benefits coordinate with short-term paid leave to ensure a continuous income stream for employees. The private industry typically makes benefit decisions very quickly without income disruption to employees.

■ **Private plans benefit employers and employees alike.** Private insurers offer employers the flexibility to provide coverage with equal or more generous benefits than may be required under law, and allow multi-state employers the ability to provide equal benefits to all employees. ACLI’s carriers have the expertise, systems and staff to provide and assist administration of PFML benefits in programs.

■ **ACLI supports a role for private insurers to participate in federal and state PFML programs.** A private solution for government required paid leave would enable employers to provide coverage either through self-funding, through private insurance or a combination of the two. This would enable programs to build upon existing paid leave, rather than creating new government-run mandated programs. Private insurers have assisted states in administration of paid and protected family leave for decades and to utilize that expertise will help effectively run any new programs that are established. ACLI also supports a tax credit for employers to provide these benefits and mitigate the financial impact to employers providing these new benefits to their employees.



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101 Constitution Avenue, NW, Suite 700  
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acll.com | June 2019

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