



Statement for the Record

Submitted to the

U.S. House Ways and Means Committee

“Paid Family and Medical Leave: Helping Workers and
Employers Succeed”

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On Behalf of

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The American Council of Life Insurers (ACLI) is pleased to submit this statement for the record for the hearing titled “Paid Family and Medical Leave (PFML): Helping Workers and Employers Succeed.” ACLI thanks Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX) for holding this hearing on such a key public policy issue – the importance for paid leave for workers. Paid family medical leave is an issue that is catching fire in America today because of its profound implications for families’ financial security and well being. This statement will highlight the role of the life insurance industry in providing short-term disability income solutions to employers and their employees, highlight the gap in coverage and offer solutions to expand the private marketplace to fill the gap.

THE AMERICAN COUNCIL OF LIFE INSURERS

The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers’ financial and retirement security. Financial security is our core business, and retirement security for all Americans is a critical mission. We protect 90 million American families with financial products that reduce risk and increase financial security, including life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. As society and work changes, we are committed to solutions that protect all Americans, regardless of where and how they work, their stage in life, or the economic status of their household.

ACLI members represent 95 percent of industry assets in the United States. Through private solutions, we provide the benefit of financial protection. In 2017, American families received, \$19 billion in both short and long-term disability income insurance benefits from the private insurance industry.¹ As the United States grapples with challenges related to family and medical leave, the insurance industry is an important part of how Americans are able to remain financially secure in the face of short- or long-term absences from work.

LIFE INSURERS’ ROLE IN PFML

A comprehensive benefit offering helps employers to recruit and retain top talent. As such, there is increasing demand from employees to be provided a variety of paid leave benefits. 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 short-term benefits² as they recovered from conditions that kept them from working, including those associated with pregnancy and the birth of a child. Around twenty-five percent of all short-term disability claims are related to pregnancy and maternity.³

Short-term disability insurers already provide much of the paid medical leave. Approximately 47 percent of all full-time civilian workers are provided paid medical leave under their employer’s short-term disability plan and approximately 50 percent of civilian workers in a union have

¹ ACLI Factbook 2018 (<https://www.acli.com/posting/rp18-007>)

² ACLI calculation based on 2017 National Association of Insurance Commissioners (NAIC) annual statement data.

³ “Ten-year review of disability claims show trends in workplace absences.”

(<http://workwell.unum.com/2018/05/ten-year-review-of-disability-claims-shows-trends-in-workplace-absences/>)

Retrieved May 6, 2019

access to short-term disability benefits.⁴ 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 six-to-eight weeks following the birth of a child, and for additional paid time during pregnancy, if medically necessary. The typical short-term disability plan provides income replacement (usually between 60 to 70 percent) for 26 weeks.⁵

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. Moreover, private insurers have assisted states in the administration of paid and protected family leave for decades. With their expertise, insurers could help effectively manage any new programs rather than government creating new government-run mandated programs.

CHALLENGES FACING PFML COVERAGE

As previously noted, employers provide nearly half of all full-time civilian employees' access to short-term paid leave benefits. This demonstrates a private marketplace that is working; however, there is room to expand this important financial protection. Similar to the vibrant retirement savings system provided by employers that is incentivized by the federal government, incentives should be provided to expand short-term paid medical leave coverage by building on a private system that works well. Additionally, incentivizing employers to provide this safety net for their employees alleviates pressure on other government-run systems.

A formidable challenge comes from the small business community. Providing short-term paid leave can be costly for small businesses—some of which are just starting and hoping to grow. In some cases, it may simply be the employer size that proves to be a barrier. For small businesses with fewer than 50 employees, only 28 percent of those employees have access to short-term paid leave benefits.⁶ There is ample room to expand coverage among small businesses, and again the insurance industry can be part of the solution.

⁴ Bureau of Labor Statistics, 2018 National Compensation Survey, retrieved May 3, 2019 (<https://data.bls.gov/cgi-bin/dsrv?nb>)

⁵ Benzinga.com, "A Guide to Disability Insurance," May 2, 2019 (<https://www.benzinga.com/money/disability-insurance/>)

⁶ Bureau of Labor Statistics, 2018 National Compensation Survey, retrieved May 3, 2019 (<https://data.bls.gov/cgi-bin/dsrv?nb>)

OPPORTUNITIES TO EXPAND PRIVATE PFML COVERAGE

Expanding coverage via incentives to enable more employers to offer paid leave or to expand the scope of existing paid leave is a better approach than a mandatory, government-run program that could increase taxes, increase administrative costs, and displace private-sector market solutions. Policymakers should seek innovative solutions to harness the power of small employers coming together to offer their employees these benefits.

Incentivizing private market solutions for short-term paid medical leave—whether through insurance coverage, self-funded benefits by employers or some combination of the two—would cover more working Americans and would leverage the existing system that is already working well for many employers and employees. An incentive-based, private market approach would also avoid the additional cost of creating new agencies to administer and to pay covered leave. For example, Minnesota is considering its own state-run program. It was estimated the costs would exceed \$900 million annually funded by a new tax on employees and employers.⁷ Additionally, a government-run program would likely undermine the current private short-term disability marketplace causing disruption for employers and employees. The loss of the private short-term disability market could also put states at risk of losing premium tax revenue.

CONCLUSION

ACLI and its member companies are committed to working with lawmakers and employers to expand private market solutions to provide more working Americans with paid family and medical leave. Policymakers should take action to enhance the availability of PFML through proposals that incentivize employers' ability to voluntarily implement a private program. This approach will leverage the benefits already being provided by many employers through insurance and self-funded benefits and will efficiently and effectively expand that coverage to more working Americans.

⁷ Minnesota Management and Budget office supplied fiscal note from its [fiscal note search engine](#) topic "HF5."