

American Property Casualty Insurance Association

STATEMENT

AMERICAN PROPERTY CASUALTY INSURANCE ASSOCIATION (APCIA)

S.B. 1 – AN ACT CONCERNING PAID FAMILY AND MEDICAL LEAVE

H.B. 5003 – AN ACT IMPLEMENTING A PAID FAMILY AND MEDICAL LEAVE PROGRAM

LABOR AND PUBLIC EMPLOYEES COMMITTEE

February 14, 2019

The American Property Casualty Insurance Association (APCIA)¹ appreciates the opportunity to comment on SB 1, An Act Concerning Paid Family and Medical Leave, and HB 5003, An Act Implementing a Paid Family and Medical Leave Program. With members comprising nearly 60 percent of the U.S. property casualty insurance market, APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association.

As Connecticut works to develop a paid family and medical leave program, APCIA would urge legislators to consider constructing a program which takes advantage of the experience and expertise of the private companies which have been providing popular, successful, and efficient leave programs for decades both in Connecticut and across the nation by creating a public/private partnership which engages private group benefit providers. APCIA believes that through a public/private partnership, not only will the state benefit but employees and employers working and doing business in this state will also benefit.

APCIA is a member of the Insurance Association of Connecticut (IAC) and the two organizations have a number of common members. APCIA fully endorses the IAC's testimony on this legislation which is attached hereto.

¹ Effective January 1, 2019, the American Insurance Association (AIA) and the Property Casualty Insurers Association of America (PCIAA) merged to form the American Property Casualty Insurance Association (APCIA). Representing nearly 60 percent of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe.



Statement

Insurance Association of Connecticut

Labor and Public Employees Committee

- **SB 1, An Act Concerning Paid Family and Medical Leave**
- **HB 5003, An Act Implementing a Paid Family and Medical Leave Program**

February 14, 2019

I am Eric George, President of the Insurance Association of Connecticut (IAC). The IAC wishes to offer comment on SB 1, An Act Concerning Paid Family and Medical Leave, and HB 5003, An Act Implementing a Paid Family and Medical Leave Program.

A number of the IAC's member companies have, for decades, provided and administered highly popular, successful and efficient leave benefit programs for employers and their employees here in Connecticut and across the country.

As Connecticut contemplates creating a state program to provide and administer medical and family leave programs, we want to share some thoughts, born of experience, on how to build a successful leave benefits program.

1. Create a Public/Private Partnership

Nearly all state leave programs, those that have existed for decades and those that have been recently enacted, allow employers to meet the statutory requirement of providing employees with medical and family leave programs by choosing to engage private group benefits providers. (Only Rhode Island and the District of Columbia have excluded the private market).

- **Benefits to the State:**

- **Default to State Program** - State statutes generally provide that, absent an affirmative decision by an employer to choose the private market, the employer defaults to the state program;
- **No Threat to Solvency** - Experience indicates that roughly 8% to 12% of employers choose the private market, not enough to threaten the solvency of a properly funded state program;
- **Reduced Cost** - Allowing employers to choose the private market also reduces the state's administrative burdens and costs; and
- **Innovation:** A private market option will also encourage continued private sector development of more sophisticated technology and product enhancements that could ultimately benefit state programs as they evolve (examples of the private market's expansion of benefits over the years include bereavement leave, adoption and fertility assistance and sabbatical leave).

- **Benefits to Employees:**

- **More Generous Benefits** - Many employers choose the private market to provide employees more generous leave benefits than those offered by the state program as a means of attracting and retaining talent;
- **No Cost** - Employers who access the private market to provide leave programs to employees typically provide those programs at no cost to employees;
- **Seamless Experience** - Group benefits providers have invested millions of dollars in technology and claims staffing and processes so that employees can call one provider in order to properly trigger and coordinate a wide variety of different leave benefits;
- **Better Claims Experience** - Group benefits providers typically process medical leave claims faster than comparable government programs and tend to approve a higher percentage of claims than comparable state agencies;
- **Technology** - Group benefits providers have developed user-friendly technology to assist employees with their claims, including sophisticated web sites and mobile apps employees can use to file claims, upload claims documentation and determine the status of claims;
- **Direct Deposit** - Employees can have their benefits payments direct deposited or paid through payroll rather than wait for a paper check to be sent; and
- **Additional Services** - Group benefits providers offer greater services to employees than those provided under state programs, including Return to

Work services, Vocational Rehab Services, and Employee Assistance Programs.

- **Benefits to Employers:**

- **Administrative Complexities** - The large number and wide variety of state and federally mandated leave programs pose a potential administrative nightmare for employers.

- **Existing CT Leave Mandates** - Connecticut employers must track and coordinate a number of leave programs including, but not limited to:

- CT Crime Victims Leave
- CT Employment for Victims of Family Violence
- CT Family and Medical Leave (unpaid)
- CT Pregnancy Leave
- CT Military Leave from Employment
- CT Volunteer Firefighter/Emergency Worker
- CT Paid Sick Leave
- Federal Family and Medical Leave
- Americans with Disabilities Act

- **Other States' Mandates:** Connecticut employers with employees in other states face the further challenge of complying with those states' leave laws;

- **Compliance with ERISA:** Compliance with ERISA further complicates the employers' burden; and

- **Coordination of Benefits:** Some leave benefits may be used concurrently, while other may be stacked – employers have difficulty knowing when to pay and when not to pay and how not to double pay.
- **Private Market Solutions:**
 - **Benefit Tracking and Coordination** - Group benefit providers efficiently track and coordinate the leave programs listed above along with others such as sick leave, disability leave, parental leave, vacations and bereavement leave;
 - **Consolidated Reporting** - Group benefit providers can provide consolidated reporting for the employer from one source on all disability and absence related services; and
 - **Technology** - Group benefit providers have developed sophisticated and interactive websites enabling HR and managers to readily obtain claim information and configure reports.

2. **Other General Design Principles for a Paid Leave Program**

- **Define Terms** - Ensure all terms are clearly defined in order to avoid unexpected claims or disputes;
- **Incentivize Return to Work** - Limit benefit duration (e.g. 12 weeks); Limit income replacement rate (e.g. 60%) to help control costs and limit abuse of the program;
- **Limit Complexity of Tracking** - Limit leave times/payments to full day increments to avoid tracking difficulties for both the employer and the administrator;

- **Benchmark Against Other State Programs** - Test cost projections by comparison to other states' programs to ensure financial stability of the program; and
- **Consistent Language** - Define "eligible employee" the way the Federal FMLA does to ease administration.

The IAC is happy, ready and willing to further discuss these and other suggestions in an effort to fashion a workable and sustainable leave program that benefits all stakeholders.

Thank you.