



2019 HEALTH
MEETING

JUNE 24-26 | PHOENIX, AZ



Session 29, Absence Management and Paid Family Leave Plans

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2019 Health Meeting

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**Session 029: Absence Management and Paid Family and
Medical Leave Plans**

June 24, 2019



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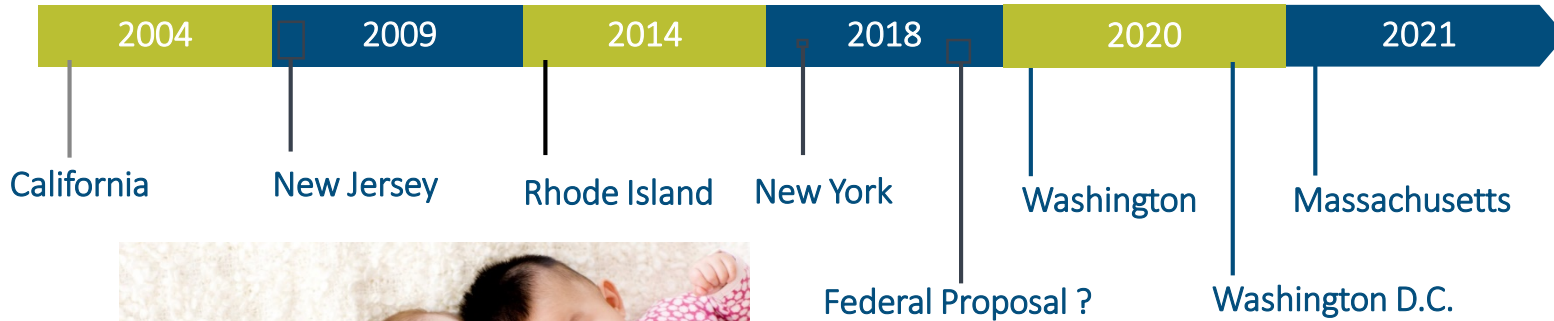
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Timeline: Paid Family Leave in the US



- PFL studies performed in other states
- PFL programs implemented in local municipalities

Differences in Paid Family Leave Plans

| | CA | NJ | RI | NY | MA | WA |
|-------------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|--|--|
| Max Leave in a year | 6 weeks | 6 weeks | 4 weeks | 8-12 weeks | 12 weeks | 12 weeks |
| Income Replacement | ~60% | 66.7% | ~60% | 50-67% | Up to 80% | Up to 90% |
| Maximum Weekly Benefit Amount | Approximately 100% of SAWW | 53% of SAWW (\$633 in 2018) | 85% of SAWW (\$852 in 2018) | 50% of SAWW (\$653 in 2018) | \$850 initially 64% of SAWW thereafter | \$1,000 initially 90% of SAWW thereafter |
| Job Protection | No | No | Yes | No | Yes | Yes |
| Waiting Period | None | 7 days | 7 days | None | 7 days (none for bonding) | 7 days (none for bonding) |
| Intermittent Leaves | No | No | No | No | Yes | Yes |
| Funded By | Employee | Employee / employer | Employee | Employee | Employee | Employee / employer |

States with Disability Insurance Programs

| | CA | NJ | RI | NY | HI | PR |
|-------------------------------|----------|---------------------|----------|----------|---------------------|---------------------|
| Maximum Benefit Period | 52 weeks | 26 weeks | 30 weeks | 26 weeks | 26 weeks | 26 weeks |
| Income Replacement | 55% | 66.7% | ~60% | 50% | 58% | 65% |
| Maximum Weekly Benefit Amount | \$1,173 | \$633 | \$831 | \$170 | \$594 | \$113 |
| Funded by | Employee | Employer / employee | Employee | Employee | Employer / employee | Employer / employee |

- Massachusetts and Washington leave programs will feature paid medical leave
 - Care for own serious health conditions
 - Up to 20 weeks (Massachusetts) and 12-14 weeks (Washington)
 - Same benefit structure as paid family leave

Absence and Paid Family & Medical Leave

Product evolution and Client needs

Jonathan Kemp

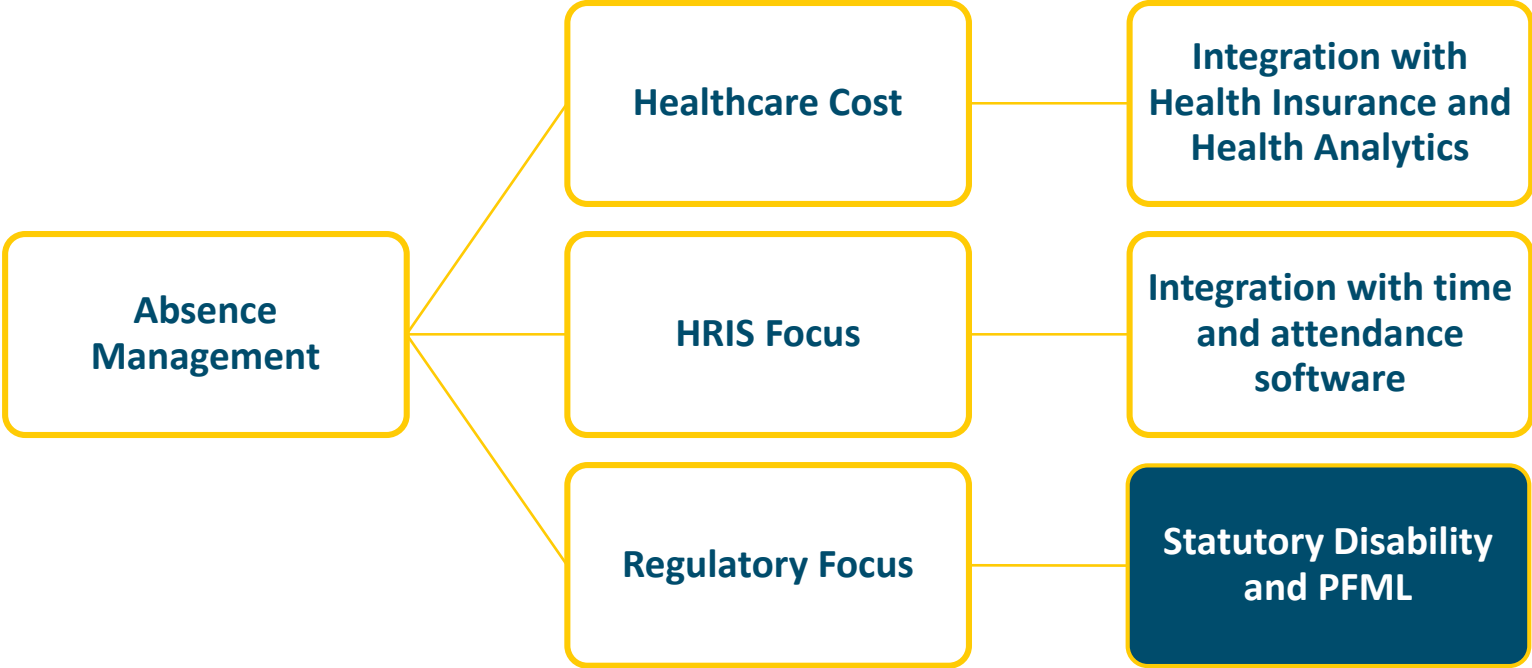
Associate Director, Product Management

Sun Life Financial

Linear leave management models



Branching leave management model



Definitions

Statutory Disability

Legacy State mandated Disability Programs (NY, CA, NJ, RI, HI)

Paid Medical Leave (PML)

A new variation (starting with Massachusetts and Washington) of Disability product utilizing FMLA terminology and concepts for the employees own Serious health condition

Paid Family Leave (PFL)

A Paid leave product that provides Salary replacement for employees to Bond with a newborn or newly adopted child; care for a Seriously Ill family member, or for a Military Exigency

Paid Family and Medical Leave (PFML)

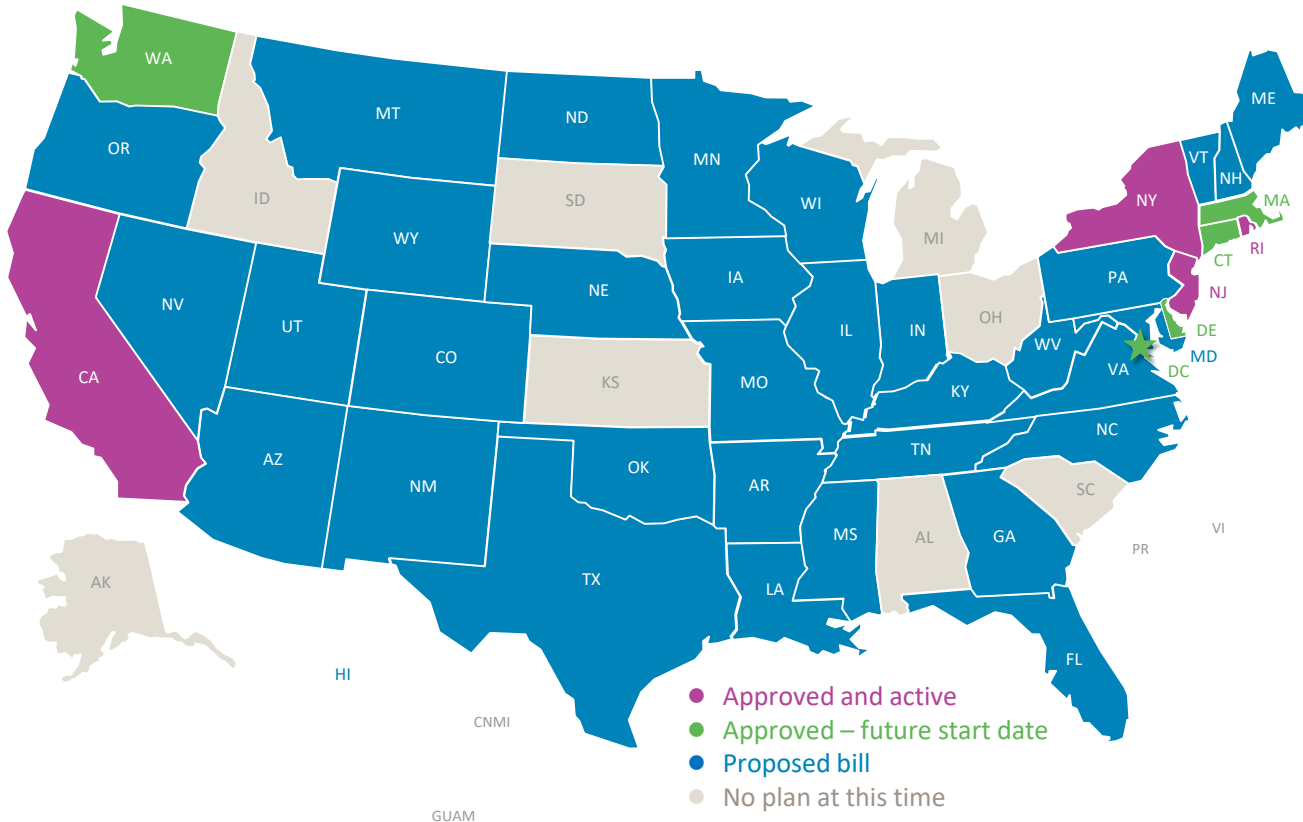
A combined Paid Medical Leave and Paid Family Leave Program

Parental Leave

Usually an employer HR benefit that provides salary continuance only for the birth or adoption of a child.



PFML legislative activity

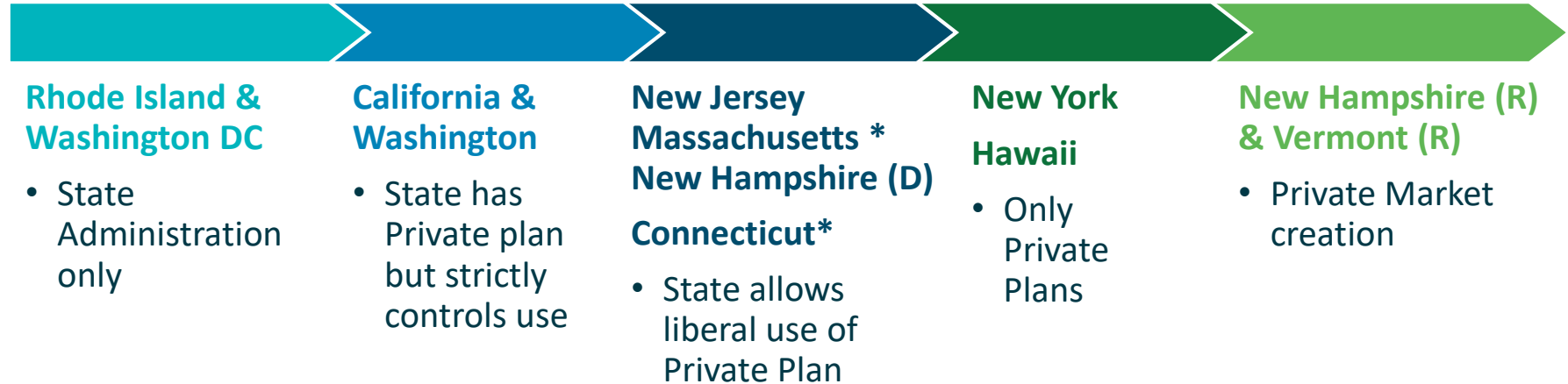


NOTE: Some of the states have proposed paid parental leave laws and not full paid family and medical leave laws. Delaware has adopted a paid parental leave law for state employees that is effective July 1, 2019. Hawaii has a statutory disability program in effect and is evaluating a paid family leave program.

Paid Family & Medical Leave (PFML) Laws: Current & Proposed

| States | Federal | Proposed legislation |
|---|---|--|
| <ul style="list-style-type: none"> California Connecticut (<i>premiums collected 1/1/21& leaves eff. 1/1/22</i>) Delaware (<i>state EEs only/parental leave only eff. 9/1/19</i>) Hawaii (<i>disability only</i>)* Massachusetts (<i>premiums collected 7/1/19 & leaves eff. 1/1/21</i>) New Jersey New York Rhode Island Washington (<i>premiums collected 1/1/19 leaves eff. 1/1/20</i>) <p>*On 7/5/18, Hawaii Gov. Ige signed law requiring legislature to propose PFL legislation by 9/1/19.</p> | <ul style="list-style-type: none"> Federal Tax Credit for PFML (<i>expires 12/31/19</i>) <p>Cities/Districts/Territories</p> <ul style="list-style-type: none"> San Francisco (<i>parental leave only</i>) District of Columbia (<i>premiums collected 7/1/19; leaves effective 1/1/20</i>) Puerto Rico (<i>disability only</i>) | <p>US Congress</p> <ul style="list-style-type: none"> Family Act (Gillibrand) WorkFlex (Mimi Walters) Econ. Security for New Parents Act (Rubio) <hr/> <p>States</p> <ul style="list-style-type: none"> Colorado Georgia Illinois Maine Minnesota Nebraska New Hampshire (<i>passed legislature but vetoed by Governor</i>) Oregon Vermont . . . and more! |

PFML state administration models



Employer perspective – PFML complexity

- National Car Rental Company
- Operates in all 50 states
- Goal is to find a service provider to easily explain process to employees who need to secure job protection and pay while needing time off
- Work Location shouldn't impact the individual experience



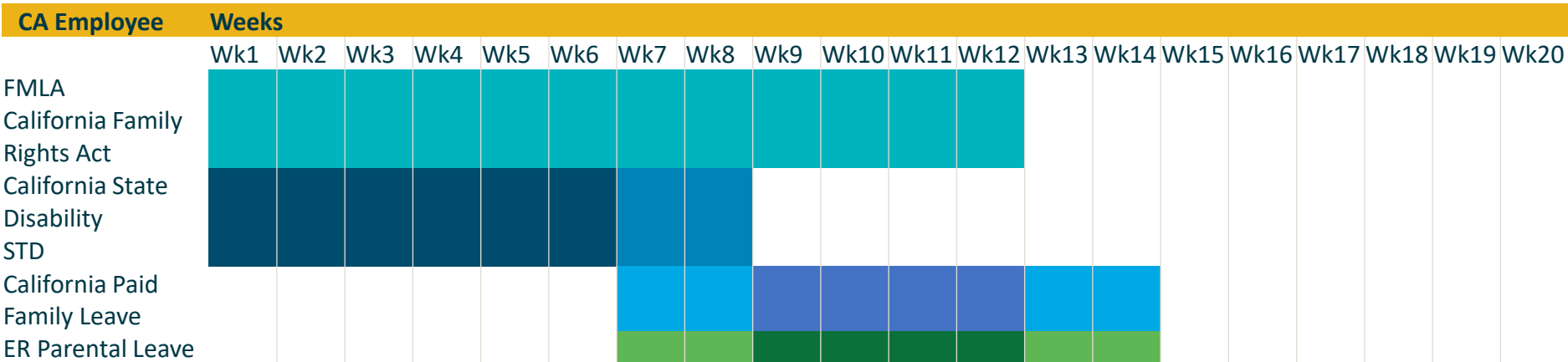
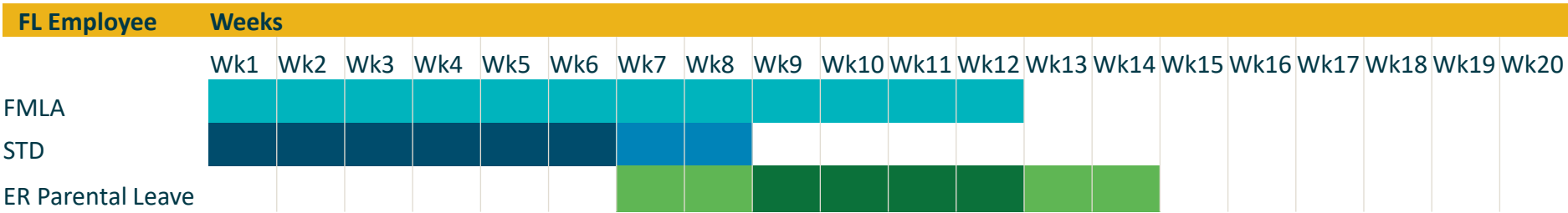
Employee PFML experience breakdown

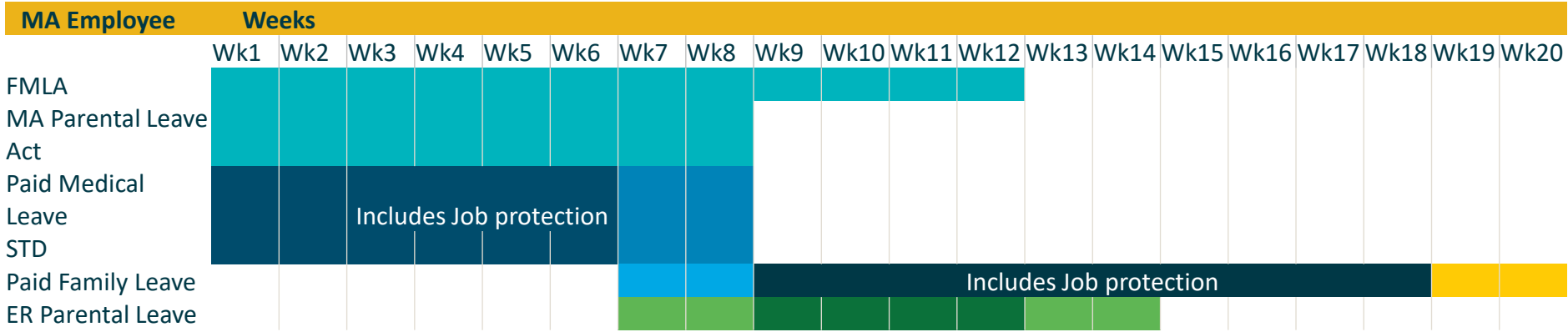
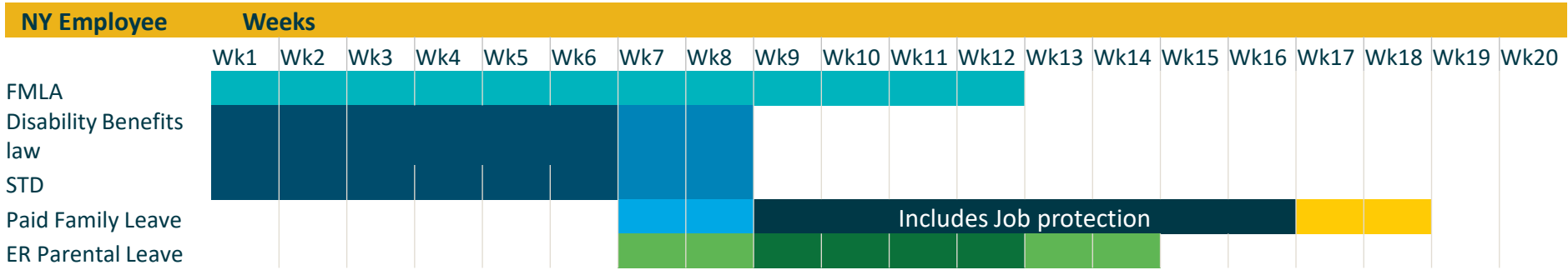
1. Will my paycheck continue?

2. Will my job be there when I return?

Scenario: Let's review a new mother's benefits across different potential work locations







Challenges to Client experience success

- ✔ State Mandated PFML rating
 - Command and control like NY PFL; limited flexibility like MA & WA
- ✔ Uncertainty on whether leave management program expense pricing can introduce services that improve PFML product experience
- ✔ States ultimately determine if/how their state program can be integrated for large multistate employers



Life's brighter under the sun

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This content is not to be considered legal advice. We recommend Clients speak with legal counsel specializing in labor and employment law to ensure your organization has met all of the requirements under the Massachusetts Paid Family & Medical Leave (PFML) Act.

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Pricing Implications of Paid Family & Medical Leave (PFML)

Thomas A. Tipton, FSA, CERA, MAAA
Vice President, Disability & Absence Management Product



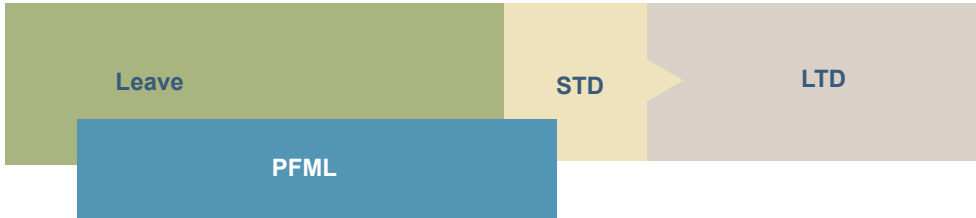
Absence Management Product Spectrum

Traditional Absence Management Product Spectrum



- FML/ADA
- State/Local Leaves
- Employer Leaves
- Short-term Disability
- State Mandated Disability
- Long-term Disability

Absence Management Product Spectrum with Paid Family & Medical Leave (PFML)



High Level Product Comparison

| | PFML | Leave | STD | LTD |
|--------------------------|---|---|---------------------------------------|------------------------------------|
| Coverage | Bonding, Family Care, and Medical | FML job protection, employer sponsored leaves | Own disability (medical) | Own disability (medical) |
| Benefit Amount | 50-90% to SAWW * for 8-20 weeks | Typically unpaid or self-funded | 50-70% to \$1-3k/week for 13-26 weeks | 50-70% to \$1-4-10k/month to SSNRA |
| Program Structure | Typically default state fund with opt-out | Federal mandate | Private insurance or self-funded | Private insurance or self-funded |

*Range of State Average Weekly Wage (SAWW) in approved states is \$1,100 to \$1,400



My State Just Passed PFML, Now What Do I Do?

Recent passed legislation in WA and MA have rates set by the state however, there **is a provision that allows employers to opt-out** (self fund or have private insurance)



Do you want to offer the approved PFML program in these states?

Evaluate the offering:

- What are the details of the plan
- What is the impact of the new law on profitability, expenses, etc
- What is the impact to my other products (think STD)
- How does this fit in with my business strategy



What Are the Details of the Plan?

Each state is different so read the law and regulations!

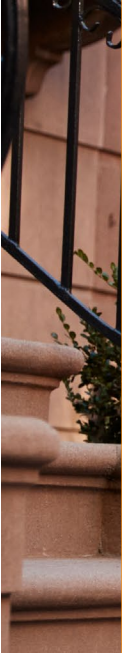
What is the plan design?

- Benefit percent, maximum, and duration
- What is the definition of medical and the ability for claim management
- What is the definition of family (will there be anti-selection)

Who is administering the program?

- What is the role for private insurance
- Administration complexity
- Intermittent leaves, interaction between medical and family, shared duration





Things to Consider When Reviewing a State Plan

- Who pays for PFML (employee, employer, both)
- Is the rate set by the state or is there an opportunity to underwrite
- Even if there is a private option, what are the conditions for the private market
- As you define your business case, it is important to have a line of sight to the expected profitability (or loss) of the PFML program



Determining the Profitability of the Plan

Need to develop your best estimate assumption

Potential data sources

- Internal STD data
- Internal Leave data (FMLA)
- Public information from other states (NY, RI, NJ, CA, etc)

Understand your data set

- Determine how the product was marketed/sold
- Is it paid (STD) or unpaid (FMLA)
- What is the demographics (exposure base)
- What are the benefit levels



Developing Your Claims Cost Assumptions

Evaluate any needed adjustments due to demographics and plan design

Demographics

- Is your data set representative of your future customers in terms of industry, geography, salary, gender, etc
- How you plan on marketing/selling this product will be important to consider

Plan Design

- Replacement ratio – Impact incidence and/or duration
- Definition of family – Impact in incidence
- How should you think about intermittent claims

Is there any interactions with your other products?

- Do you expect a change in claimant behavior on which product to use



Developing Your Expense Assumptions

What claim expense model do you start with? Leave? STD?

- Once you have your baseline, determine what adjustments need to be made specific to the state PFML plan
- Is there a shared entitlement between the medical and family
- How many intermittent claims do you expect

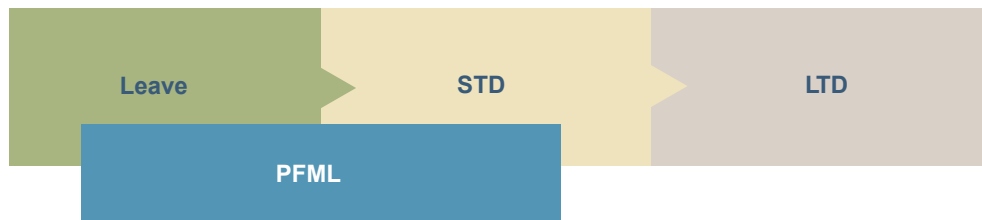
What are the reporting requirements?

- Consider if any new data fields need to be captured

Is there any interactions with your other products?

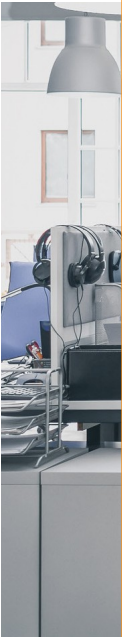


Things to Consider When Reviewing the Impact to Other Products



- Does PFML interact with other products, if so how
- What is the PFML plan design
benefit amount, duration, definition of claim, etc
- Determine the impact to the administration of existing products
- Will there be an impact to expenses especially overhead coverage
- Do you need to refile your contract and/or rates
- Are there any differences for manual versus experience rated business





What is Your Business Strategy

Things to consider:

Business strategy

- What are your client's objectives: compliance at the lowest cost or employee experience
- How much investment do you need to make to offer the state plan

Impact on business planning

- Will it be profitable
- Will your target market buy from you instead of the state
- What is the impact to other products most notably STD



Wrap Up

Be vigilant – Many states are proposing PFML legislation including at a federal level

Stay informed – Each state has their own unique twist

Do your homework – Pricing impacts will vary by state based on their program specifics. Look at not only expected claims cost but impact to claims processes, state mandated reporting, and expense/commissions pressures (overhead)



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