Is this the end of Short Term Disability?

How the impact of COVID-19 is accelerating the next generation of family medical leave benefits

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AON

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Introduction

The Impact of COVID-19 on Family Medical Leave Benefits

"COVID-19 took a terrible toll on the world's workers. It destroyed millions of jobs, caused a drop in employment that was 14 times bigger than the one after the financial crisis of a decade ago. Unemployment rates rose to levels last seen in the 1930s, with the pain concentrated among the low-skilled. COVID-19 also accentuated inequalities that had previously bubbled under the surface."

– "The Future of Work", The Economist, April 5, 2021

Prior to COVID-19, Paid Family Medical Leave (PFML) benefits showed great promise as state after state proposed legislation. Enactment and continued adoption of legislation, however, has been slow. In 2020, the Bureau of Labor & Statistics reported that only 20% of US workers had access to such benefits.

More than 22 million Americans applied for unemployment relief within the first four weeks after President Trump's March 13, 2020 declaration of a national emergency due to COVID-19. While federal/state legislative actions have been implemented to provide relief to America's employers and employees, many vulnerable workers and businesses have been left out or have not had access to these protections, thus exacerbating the impact of COVID-19 on the country.

At Aon Inpoint, we found ourselves asking these questions: What can be done to support employers and employees in times of crises like COVID-19? How can family medical leave help the situation? Why have federal and state governments, employers, and private insurance markets been so slow to address much needed benefit changes?

Well before COVID-19, Aon Inpoint began exploring the topic of PFML with numerous Aon clients. It became clear that the fragmentation of public and private policies – a complex labyrinth of laws, structures, and absence administration – presented a unique opportunity for the benefits provider community.

Clients agreed with us - and challenged us to identify benefit solutions that could lead to a more efficient, effective, and fair path forward for all concerned. What follows is the result of our extensive research, including compelling insights that strongly support carrier innovation. We look forward to engaging with you and your partners in the public and private sectors to explore the path forward outlined in this report. Join us in this new adventure and, together, let us create the next generation of family medical leave benefits

Best regards,

Rohan Dixon
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Historical Timeline of US Leave and Absence Benefits

The US has a historic track record of developing regulations and frameworks to financially protect American businesses and workers, particularly in times of crises

Late 19th century:
US insurance companies began offering Short Term Disability insurance to provide accident protection. Coverage was limited both in the amount of the benefit available and the length of time that benefits were paid.

1911:
Wisconsin became the first US state to enact Workers' Compensation legislation.

During the Great Depression:
President Franklin D. Roosevelt pushed for social insurance (for the aged, for the unemployed, for everyone - a national health insurance program) to restore economic stability. The bill that passed created the Social Security System and unemployed compensation programs, including federal/state and public assistance programs for the aged, for the blind, and for dependent children.

During World War II:
Blue Cross and Blue Shield introduced private healthcare insurance plans initiating the employer-sponsored insurance benefits system that is now a reality. Four US states enacted legislation requiring employers to provide Short Term Disability benefits to eligible workers: Rhode Island (1942), California (1946), New Jersey (1948) and New York (1949).

In 1948, Mississippi became the last state in the US to enact a Workers' Compensation law.

1956:
President Dwight D. Eisenhower signed into law the 1956 Amendments to the Social Security Act establishing the Social Security Disability Insurance program, representing the historic culmination of an effort Social Security planners began in the 1930's.

1993:
The Family and Medical Leave Act (FMLA) was passed, requiring employers to provide employees with job protection and **unpaid** leave for qualified medical and family reasons.

2002:
California became the first state to enact **Paid Family Leave** (PFL) regulation in addition to their long-standing statutory disability program. The regulation acknowledged that workers should not be forced to choose between their livelihood and the health of their family. Essentially, California's Paid Family Leave (PFL), which was also known as the Family Temporary Disability Insurance (FTDI) program, extended unemployment disability compensation to cover individuals who needed time off work to care for a seriously ill family member or bond with a new child.

2008 through 2020:
New Jersey, Rhode Island, and New York became the next three states to enact Paid Family Leave legislation on top of their longstanding statutory disability infrastructures. Since 2017, six more jurisdictions followed with Paid Family Medical Leave. Over the years, federal/state governments introduced or passed similar legislation, yet only nine states (CA, CO, CT, MA, NY, NJ, OR, RI, WA) and the District of Columbia enacted programs, while 15 other states have Paid Family Medical Leave bills on the table today.

Current State of Affairs: Family Medical Leave Benefits

Absence Management *is defined as the comprehensive collection of policies and benefits an employer voluntarily provides as well as those policies that employers are legally required to provide to protect their businesses and the livelihood of their employees in the event of an unexpected absence due to illness, injury, or family need.*

On April 1, 2020, the US Congress passed the Families First Coronavirus Response Act (FFCRA). It helped combat the workplace effects of COVID-19 by reimbursing American private employers of fewer than 500 employees with tax credits for providing employees paid leave taken for specified COVID-19-related reasons. The law also enabled employers to keep their workers on their payrolls, while at the same time ensuring that workers were not forced to choose between their paychecks and the public health measures needed to combat the virus.

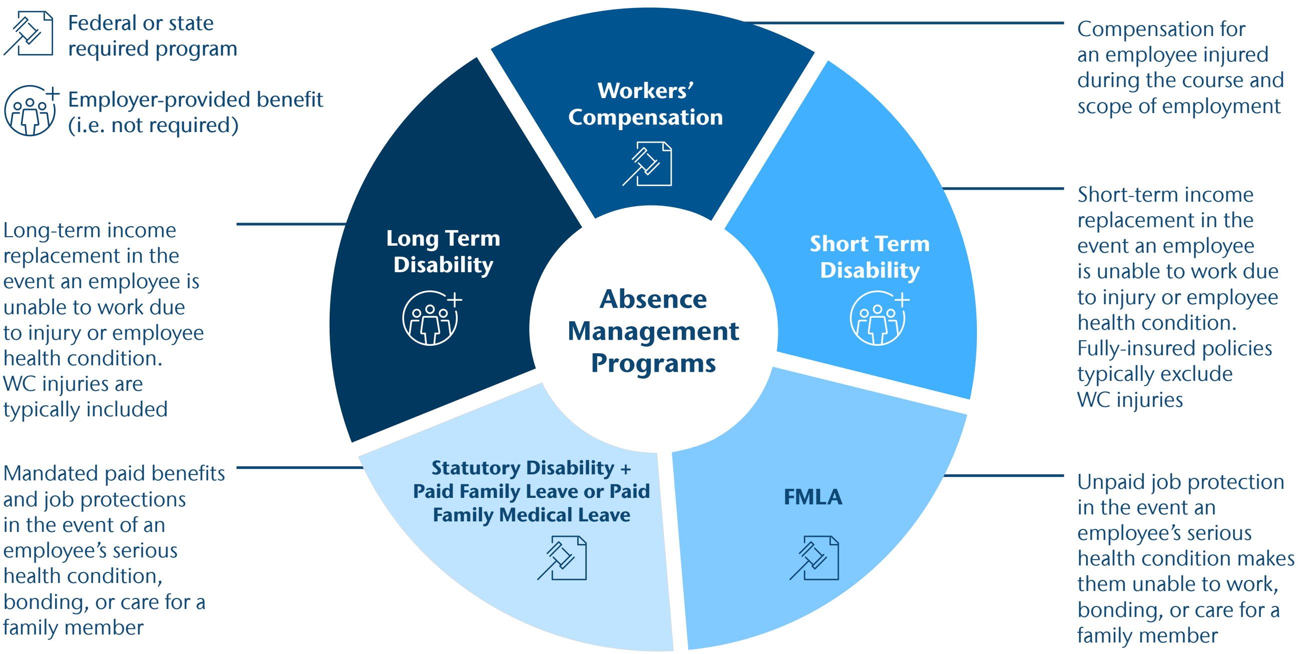
This was the first-ever federal Paid Family Medical Leave program in the US. The legislation was implemented under public health emergency leave (Title I) of the 1993 Family and Medical Leave Act (FMLA).

Until this regulation went into effect, the **US was the only industrialized country in the world without a paid leave standard**. The leave provisions were created by a time-limited statutory authority established under FFCRA which expired on December 31, 2020 - along with the optimism for paid leave to become a solution for all employees.

On March 10, 2021, nearly a year after FFCRA was enacted, Congress passed a landmark $1.9 trillion COVID-19 relief bill. The bill did not require employers to continue offering FFCRA benefits, but it did extend FFCRA's payroll tax credit provisions and expanded the qualifying reasons for FFCRA leave, for employers who offered such leave through September 30, 2021

Examples of Absence Management Programs[1]

Figure 1



1. This illustration is not an exhaustive list and is intended to highlight the leading programs Employers often have administered. Other Absence Management policies that are not generally insured include Sick Time, Paid Time Off, and other company-approved policies.

Source(s): Aon Inpoint Analysis

Federal Programs

What is the difference between FMLA (Family and Medical Leave Act), PFL (Paid Family Leave), and PFML (Paid Family Medical Leave)?

- The Family and Medical Leave Act (FMLA) is a federal US labor law that provides job-protected, unpaid leave for employees for qualified medical and family reasons
- States with PFL regulations have an existing Short Term Disability (STD) program – the "medical" mandate - in place.
- States with PFML have enacted their own medical and family leave regulations concurrently.

Various Paid Family Medical Leave (PFML) programs have been introduced over the past decade by the federal government. The lack of bipartisan support for implementation has generally prevented enactment of the programs. Recently, these programs have begun to show more bipartisan support:

- Family and Medical Insurance Act first introduced December 2013, Democrat-backed.
- Strong Families Act – enacted December 2017, bipartisan-backed.
- Economic Security for New Parents Act first introduced August 2018, Republican-backed.
- President Trump's 2020 Budget Proposal introduced March 2019 – Republican backed.

State Programs

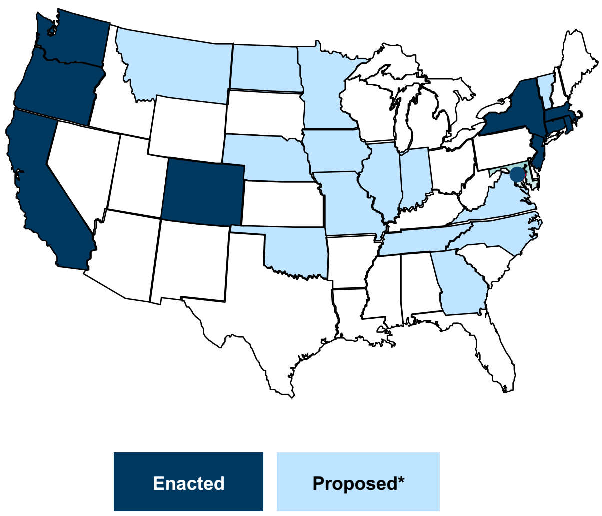
State Paid Family Medical Leave programs have been gaining traction with nine states and the District of Columbia having enacted such programs (see Figure 2 below). More than 20 other states have proposed legislation, although many bills have died including Arizona's 2020 Senate Bill 1603 and New Mexico's 2019 House Bill 264.

There are three core components of coverage provided under Paid Family Medical Leave (PFML) laws: (i) Short Term Disability (STD), (ii) bonding, and (iii) family care. New Jersey recently amended their Paid Family Leave (PFL) program to include coverage for victims of domestic and sexual violence. Colorado's new law (effective January 1, 2024) includes this coverage as well. Other qualifying leave events include qualifying exigency (an employee or covered family member being called to duty) which is provided for in six states and care for a service member currently only offered in Massachusetts. It should be noted that some of these programs have been enacted but are not currently in effect.

Active Paid Family Medical Leave Programs and Legislation

Figure 2

- **Nine states and the District of Columbia** have enacted State Paid Family Medical Leave programs *(CA, CO, CT, MA, NY, NJ, OR, RI, WA)*
- Currently, **15 states have active** Paid Family Medical Leave bills on the table
- This figure is exclusive to Paid Family Medical Leave laws and does not include paid sick, parental-only or paid leave laws exclusive to employees of the State



Source(s): Aon Inpoint Analysis, LegiScan, Various State Legislature Websites
*Does not include proposed bills that have terminated as of April 16, 2021.

In the current patchwork of private and public programs, **access** to PFML hinges largely on the willingness of federal, state, and private actors to provide that leave. Of the programs highlighted in **Chart 1:** FMLA is mandated by the federal government; Workers' Compensation is mandated by state governments; STD is a combination of employer-sponsored and state mandates; Long Term Disability is employer-sponsored; parental and family leaves are a combination of employer-sponsored and state mandates.

This assortment of programs, divided amongst a cluster of government mandates and private offerings, leads to gaps in access and coverage with no overarching solutions available.

Patchwork of Medical and Family Leave Programs

Chart 1

	Coverage Elements	WC	STD	LTD	FMLA	Parental Leave	Family Leave
Protection	Job Protection	O[1]	×	×	✓	×	×
	Pay Protection	✓	✓	✓	×	✓	✓
Leave Reasons	Occupational Illness/Injury	✓	×	✓	✓	×	×
	Non-Occ Illness/Injury	×	✓	✓	✓	×	×
	Care for Family Member	×	×	×	✓	×	✓
	Bonding	×	×	×	✓	✓	×
	Qualifying Exigency	×	×	×	✓	×	O[2]
	Domestic Violence	×	×	×	✓	×	O[3]
Mandate or Sponsor	State	✓	✓	×	×	✓	✓
	Federal	×	×	×	✓	×	×
	Employer	×	✓	✓	×	✓	✓

Note: O indicates both ✓ and ×, depending on the state

Notes:

1. Some states include reinstatement or rehire provisions
2. Some states include qualifying exigency under "Family Leave"
3. Some states include domestic violence under "Family Leave"

Source(s): Aon Inpoint Analysis

The Economic Puzzle of Family Medical Leave Benefits

The Congressional Budget Office (CBO) initially determined that the Families First Coronavirus Regulations Act (FFCRA) would cost the US $192 billion over the next ten years. They also clearly stated in their analysis that the estimated costs were "extremely uncertain".

Aon Inpoint estimated the total market size of Group Short Term Disability (STD) and Leave Administration to be around $9.5 billion ($4.6 billion in insured STD, $3.6 billion in self-insured STD, and roughly $1.3 billion in leave administration services). While our figures and the CBO's illustrate varying expense and revenue, the difference between the two cannot be ignored.

Program Implementation Costs

Aon Inpoint identified examples of cost inefficiencies related to the start-up of state-mandated family leave programs. From 2009 to 2010, New Jersey's revenue for its Family Leave Insurance program exceeded the amount needed to pay for benefits and expenses by $68.4 million, according to the New Jersey Department of Labor and Workforce Development. The legislature swiftly responded by reforming the tax rate and claim reserve calculations going forward. While the reform was necessary, the error in withholding millions from its workers – who pay 100% of the program's cost – was unnecessary.

New York required carriers who were already administering New York's statutory disability program to also administer their newly enacted Paid Family Leave regulation. They also required that carriers do so charging no more than what New York had calculated it would need to administer the program, even though carriers would have to incur unplanned expense to cover the technology, processes, and employment changes required to support New York's program.

Lastly, each state designates a government agency to manage the funds and operations of their respective program. This requires the augmentation of a related state office, such as New York's Workers' Compensation Board, to oversee the operations of the state's disability and paid family leave programs. Alternatively, states that do not have a statutory disability mandate in place must create a new office such as Massachusetts' Department of Family and Medical Leave. Tax dollars are required to fund start-up costs of these state offices.

Forecasting Operational and Claims Expenses

Forecasting expected claims has been one of the most troublesome aspects of Paid Family Medical Leave (PFML). This is due to the lack of consistent, sufficient, and available data. Each state has its own program, and it stores, shares, and reports data differently. The inability to compare 'apples to apples' is at the crux of the most important question related to these programs – how much do they cost?

Confidence in forecasting requires historical, complete claims data in large numbers. STD is the leave type with highest utility. For example, 2019 claims data for CA, RI, and NJ (states with the most mature claims data) show that STD accounted for 71%, 82%, and 68%, respectively, of all statutory disability and paid family leave claims.

Family Leave on the other hand is trickier. The challenge revolves around the definition of a "family member" and that varies by state. Aon Inpoint estimates that 80% of employers who offer STD, and are subject to FMLA, outsource part or all of this administration to carriers and third party-administrators. Therefore, it is reasonable to assume that the carrier-community can collectively forecast family leave claims expense using in-house data.

No Two Programs Alike

Each of the nine Paid Family Medical Leave states and Washington D.C. designed their own programs unique to their needs. There are nine different sets of rules for who pays for the coverage, how much they pay, the duration of paid time off, whether job protection is included, and what events or family members qualify for a leave. Definitions for which employers and employees are eligible vary, intensified by the fluctuating number of self-employed and gig workers since the pandemic began. Most often, worker eligibility is tied to their employer's size rather than the length of that employee's work history within the state.

The states also vary on whether they allow employers to opt-out of the state fund when providing (or being willing to provide) a PFML program that is equal to or greater than what the state mandates. This can seem like an unnecessary sanction against those employers who have invested in such protections before being mandated to do so – particularly if their program was developed to address the needs of employees across multiple states.

For businesses that employ across the country, this can quickly lead to inefficient processes and unintentional errors. As COVID-19 forced a massive relocation of workers to their own homes, new confusion arose as to whether the law should assign the worker to the state of the employer or the state of the worker's residence. The inconsistency in the rules, the application of the rules, and the processes themselves cause the most harm to the individuals these programs were meant to help – the employee. **All of this suggests a significant missed opportunity to leverage the extensive leave management experience and framework carriers possess.**

Because of this complexity within the public/private system, employers often outsource the administration of these programs. In March of 2020, the Bureau of Labor & Statistics reported that 51% of private industry workers (roughly 61 million Americans) had access to Short Term Disability through their employers and 86% had access to paid sick leave (roughly 103 million Americans).

The growth of leave policies and laws, along with the varied ways they are administered, have created an obstacle course that includes the risk of an employer making a mistake - which can be punishable by fines - and raises the risk of workers not knowing what protections they have - and therefore never applying - or worse, giving up midway through the process due to frustration.

Benefits of the Private Market

Employees often receive Group Voluntary Benefits through their employers, typically at no cost to the employer. Like most other group benefits, these benefits enable employees to enroll in coverage at lower rates than they would pay individually. Voluntary benefits are segmented based on the needs that they fulfill:

Health Benefits: accident, hospital indemnity, dental, critical illness, and vision.

Work/Life Benefits: identity theft, legal, and financial counseling.

Income Protection: permanent life, short term disability, and long term disability.

Personal: home, tuition, auto, and pet insurance.

An Introduction to Group Voluntary Benefits

Figure 3

Voluntary benefits can also include those benefits in which the cost is shared between the employer and employee, either by way of splitting a specific share of premium or using a Core/Buy-Up strategy. In a Core/Buy-Up offering, the Core represents an overall benefit available to all eligible employees and is usually paid 100% by the employer, while the Buy-Up represents enhanced plan options that employees can individually select and pay for.

Source(s): Aon Inpoint Analysis

Value of Employee Benefits

Employee benefits are not a one-size-fits-all investment. An employer's investment varies greatly by industry and employer size. Benefits are used by employers as a lever for employee retention and recruitment. The average healthcare cost for all industries is 11.5% of pay; retirement cost for all industries is 6.8% of pay; and the total employer benefit value is about 18.3% of pay.

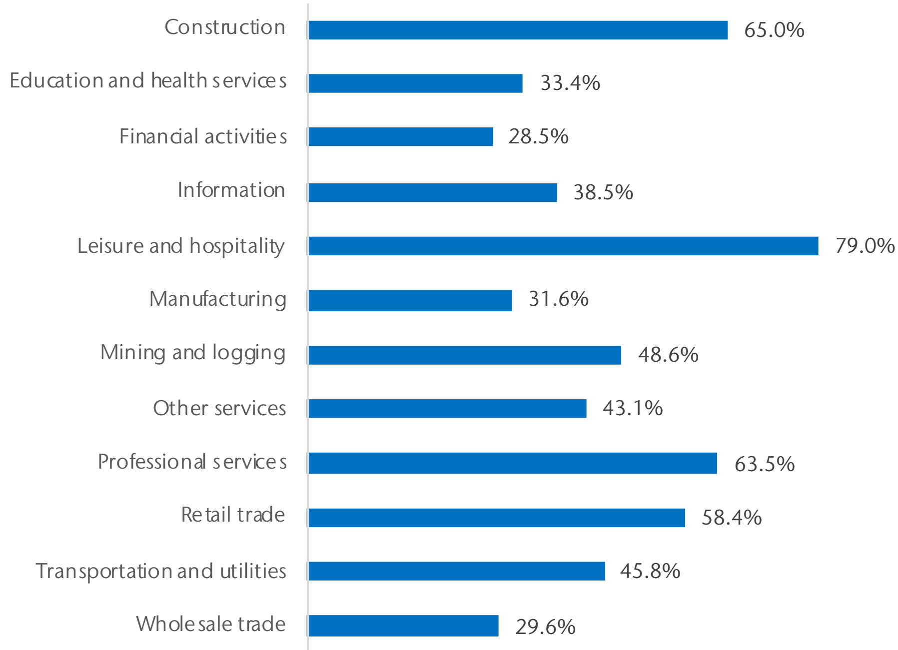
Employer investment for their own internal policies/benefits, separate from what regulations require they provide, include paid time off, parental leave, and non-regulatory paid family leave. These costs also vary considerably by employer size.

Variance in turnover rates and replacement costs also indicate that any Paid Family Medical Leave (PFML) program needs customization. The real costs of losing an employee are difficult to calculate as there are many aspects that must be accounted for, including: hiring costs, onboarding costs, and engagement costs. Again, employee turnover rates vary greatly by industry, from a low of 29.6% for the wholesale trade to 79% for leisure and hospitality as illustrated in **Chart 2**.

Employee Turnover Rates

Nationally, 2019

Chart 2



Reasons for leaving a company include involuntary separation, relocation, work environment, well-being, retirement, career development, work-life balance, manager behavior, and compensation and benefits. The more preventable reasons include career development (22.2%), work-life balance (12%), manager behavior (11.3%), and compensation and benefits (9%). Estimates of employee replacement cost range from 16% of an employee's salary in low paying, blue collar jobs, up to 200% in highly educated executive positions

Existing Programs

While states with mature Paid Family Leave (PFL) laws have pre-existing mandatory statutory disability programs, new states are venturing out on their own to create Paid Family Medical Leave (PFML) programs. While a noble cause, the new states passing these regulations are further exacerbating the maze of benefits and leave laws applicable to an employee's leave of absence. This is creating havoc for workers in need, dissatisfaction with employers, and unnecessary tax expenses for state residents.

Source(s): Bureau of Labor & Statistics JOLTS Data, 2019
Aon Inpoint

The lack of claims data under PFML and lack of some states' experience in managing these claims, along with overlapping leave types, are major roadblocks to successfully implementing a holistic PFML program. These challenges can be avoided when carriers already have the experience, infrastructure, and administrative skills to produce, sell, and manage claims for any PFML product.

A PFML product can easily build on the experience carriers and third-party administrators have had with Short Term Disability (STD) and leave administration to create a more effective, modern, and fair Core benefit that protects workers, businesses, and the economy.

Private market solutions also drive more employer efficiencies than state-run programs. As the carrier-community have regularly integrated the administration of disability, FMLA, statutory and other leaves, the private market offers a one-stop shop for employers and employees. It provides accessibility for those that would benefit most from such a program – smaller businesses, low wage earners, and high-turnover industries.

Utilizing the private insurance market to underwrite and administer PFML risk offers employers and employees pricing efficiencies, ease of program administration, and should deliver superior claims results. A private carrier solution also allows the state to focus on their constituents and insulates the risk of insufficient funding or claims administration failures.

Short Term Disability

Historically, STD has been the keystone of Family Medical Leave programs - paid or unpaid - in the US. This is underscored by the fact that the states who had the most mature statutory temporary disability infrastructures also became the first states to provide statutory Paid Family Leave.

STD is a relatively more mature benefit than Paid Family Leave; however, there is still a general lack of accessibility for both benefits across the board. Employees of smaller companies are especially disadvantaged, as less than one-third of employers (employers with less than 50 employees) have access to STD, and less than 15% (employers with less than 100 employees) have access to Paid Family Leave. According to the Bureau of Labor & Statistics, 85% of US workers have access to STD through their employer at no cost them.

Employers tend to outsource one or more elements of their leave and disability administration, as noted earlier. Fees for the self-insured Group STD administration market (excluding leave administration services) are estimated by Aon Inpoint to be between $700 million and $850 million. Administration fees are typically offered on a Per Employee Per Month (PEPM) basis and vary significantly depending upon the leave types managed and the level of service provided. For self-insured Short Term Disability administration, fees typically range from $1.50 to $5 PEPM.

Those carriers offering Absence Management services during COVID-19 were ready to administer Families First Coronavirus Response Act (FFCRA) for their clients on April 1, 2020, immediately following passage of the bill. The nimbleness of carriers and their ability to maintain compliance with immediate regulatory changes is one of the many reasons employers already rely on carriers' leave services.

Putting the Pieces Together: A Glimpse of the Future

As we hope COVID-19 will soon be a distant memory, it made us aware of the impact a major health crisis could have on the entire American economy, our businesses, and workers.

The US Group Disability benefits marketplace already rates, sells, and administers the components of Paid Family Medical Leave (PFML) and the various premium funding types. For decades, carriers have been providing benefits to employers and employees, demonstrating a successful track record in managing these programs.

The Core/Buy-Up Model

The insurance industry's Core/Buy-Up model presents a way forward that is efficient, equitable, and effective. It also offers numerous benefits to employers and employees:

- **Customization –** The Core benefit, which would be mandated by the government, protects lower wage earners while allowing those with specific needs to tailor their coverage. It also offers a risk adjustment mechanism for the additional expense of Buy-Up benefits for those employees who desire supplemental coverages to the Core offering
- **Flexibility –** The annual benefit enrollment allows employees to add, remove, or modify coverage as needed. With a Core/Buy-Up model, the employer can provide optional levels of benefits to attract, retain, and improve employee loyalty.
- **Administrative Ease –** The vast experience and stable infrastructure provided by US Group Disability Insurance carriers can alleviate critical expenses and administrative inexperience for states. Employee premiums are payroll deducted like most employer-sponsored benefits.
- **Cost Savings –** Core/Buy-Up plans typically reduce the total coverage cost to both employers and employees. Underwriting an employer's Core/Buy-up risks on its own merits also provides more accurate, competitive pricing as opposed to a mandated flat rate.

A holistic PFML product **does not exist presently** in the private marketplace, creating an opportunity for a brand-new market to emerge and for early market entrants to enhance their capabilities and offerings. This new market can provide all stakeholders with enhanced claims data, providing even better claimant outcomes and should reduce total claims cost.

How this Collaboration Might Work

States would mandate the Core coverage, set the Core employee/employer cost split, and designate a carrier of last resort, just as is done in the similarly regulated Workers' Compensation market today. The carrier of last resort would be operated by the state as a designated third party to provide coverage for employers who could not find reasonable pricing or coverage elsewhere in the market.

Aon Inpoint's research indicates that a moderate Core benefit may be sufficient given that average benefit payments and durations tend to fall well below the state-mandated maximums. While statutory programs in the US are becoming increasingly generous, their claims activity show that benefit and duration maximums offered are higher than the average individual utilizes, suggesting that these may be excessive on a statewide basis. A Core/Buy-Up model can allow individuals to purchase extended leave duration or a higher benefit amount for an additional premium. Such a change could significantly alleviate taxpayer expense and transfer risk from the states to the insurance industry.

To ensure solvency of the fund, carriers must be allowed to fully compete in the private market which would enhance risk pooling. **Private market competition** reduces the state's liability risk and transfers the risk to the designated carrier of last resort. Each state's Department of Insurance would be responsible for approving filed rates.

An underwritten PFML product would draw aspects from existing insurance ecosystems, including Workers' Compensation, disability, and leave administration. Carriers would underwrite each employer's program based on employer industry and demographics. They would file group rates and any enhanced policy riders with the state. They would also administer PFML programs on behalf of employers and their employees.

Employer participation in cost sharing is a strategy that underscores the value mandated PFML coverage provides. An employee requiring disability leave is of significant concern to employers, as the disability may impair the employee's work product or ability to return to their position. The business incentive is reflected in PFML programs where employers and employees share in the cost of disability coverage.

Employers would be responsible for providing the government mandated Core coverage with the option to add Buy-Up enhancements to the program. **They could choose to participate in the state fund or opt-out of it with an equal or better plan insured or administered by the private market.** Using the Core/Buy-up model, mandated coverage could include own disability, bonding, and family care. The inclusion of additional coverages such as duration extensions or expanding the definition of a family member could be negotiated as a Buy-Up enhancement.

Employees would receive Core coverage through employers and share the cost if mandated by the state. They would also have the option to purchase Buy-Up enhancements should their employers choose to sponsor any. In the event an employee changes employer, the Core/Buy-Up model would provide coverage continuation on the Core mandate and **portability** on employee Buy-Ups. Portability can alleviate the burden placed on workers when moving from one employer to another, tying the coverage to the individual as opposed to the employer.

Small businesses, independent contractors, the self-employed, and gig-economy workers are inconsistently treated by current PFML programs. Two options would be available under this government/private sector approach: 1) the state fund or carrier of last resort could be structured to allow small businesses, independent contractors, gig workers, and self-employed individuals to opt-in to the state plan or 2) obtain appropriate coverage in the private individual disability market. This could also represent an opportunity for the individual Short Term Disability (STD) marketplace.

Here is where we ask the big question: **Is this the end of Short Term Disability...and the beginning of a more comprehensive Paid Family Medical Leave benefit?**

Conclusion: The Future of Paid Family Medical Leave Benefits

Unbelievable as it sounds, 25% of US workers do not have paid sick leave and 80% do not have paid family leave, according to the Bureau of Labor and Statistics. COVID-19 revealed just how vulnerable workers and the economy are without Paid Family Medical Leave (PFML) protection. Any pending or new PFML legislation will have far-reaching implications for employers and employees.

Based on the research, insights, and thoughts presented in this paper, Aon Inpoint offers a glimpse into how PFML could become a reality for most American workers. The solution is based on a government mandated Core PFML product supported by the infrastructure, efficiency, expertise, and transfer of risk that carriers can provide. Fundamental to this vision are the following objectives:

- To ensure that every employee has access to equitable paid leave in the event of their own serious medical condition, for child bonding, or to care for family.
- To enhance affordability and predictability of PFML risks to employers.
- To allow employers and employees to customize their coverage where desired, with access to competitive pricing and efficient administration in an experienced private marketplace.

For decades, carriers have successfully provided these types of benefits to employers and employees. What is needed is the will to modernize what has historically been known as Short Term Disability into an all-encompassing Paid Family Medical Leave benefit.

We look forward to discussing this further with our public and private clients and toward developing a new generation of family care, disability, and leave benefits for American employers and employees.

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Appendix

Methodology for Aon Inpoint Market Research and Insights

Aon Inpoint was asked by numerous clients over the past few years to provide a landscape view of the Paid Family Medical Leave marketplace. Our efforts into this complex marketplace were led by Janene Jonas, Director of our Health & Benefits specialty team, and included data and analytics on market size, trends, service offerings, and general capabilities. We also took a deep dive into mandated disability and leave programs implemented in California, San Francisco, Colorado, Connecticut, Hawaii, Massachusetts, New Jersey, New York, Oregon, Puerto Rico, Rhode Island, Washington D.C., and Washington State.

All data and analytics were derived from internal Aon proprietary information and insights as well as available third-party research reports. Market size figures were created using a ground-up market sizing methodology based on several key assumptions:

- US employment information
- Statistics on employee access to leave benefits
- Statistics on employer outsourcing habits
- Average costs of employer outsourcing

The market size figures were validated by comparing derived figures to a multitude of third-party research reports and publicly available information.

We conducted several internal interviews including Aon Time Away and Life Solutions practitioners. Externally, we interviewed an Account Executive, Disability & Absence Management of a Top 5 Large Group Disability and Absence Management Carrier, a Director, Absence Consulting of a Top 5 Large Group Disability and Absence Management Carrier, and an Attorney and Vice President, FMLA and Absence Management of a Top 5 Absence Management TPA.