Harnessing growth and seizing opportunity:
the future of workforce benefits

LIMRA

EY
Building a better working world

The workplace benefits marketplace continues to change at transformational scale and accelerated pace, thanks in part to the widespread disruption of the working world since 2020, the rise of nontraditional workers and the growing demand for new types of benefits. These forces have demonstrated that workers are more than employees and benefits are more than insurance.

Because these changes are so profound and the workplace has been redefined, we believe it's time to reconsider the most common label given to the industry. "Employee benefits" no longer accurately describes the breadth or complexity of the market, given that nonemployees comprise a substantial and growing part of the workforce. "Workforce benefits" is a more appropriate name. And while the workforce is changing, the nature of benefits is also changing. Shifting demographics, a diversifying workforce and new employee needs are expanding the benefits marketplace beyond traditional insurance products to include many different services.

To meet rising workforce expectations and compete for scarce talent in the wake of the COVID-19 pandemic, employers have attached significantly more value to their nonmedical benefits programs and are looking to address emerging and unmet needs. All industry players — brokers, general agents, insurers, benefits providers and tech platforms — have found themselves suddenly operating in a virtual manner; in an effort to remain relevant, they are looking to find smarter and more digital ways to do business. The industry faces both great opportunity and significant risk as it navigates the confluence of powerful demographic, societal and technological forces, as well as the impacts of the COVID-19 pandemic.

These are among the key findings from recent LIMRA-EY research that sought to identify the most important changes that will shape the workforce benefits market over the next five years. Through a combination of quantitative and qualitative research across key stakeholders in the industry — brokers, employers, employees, and benefit administration platform and software providers — our research explored:

- The changing needs of employers and employees
- The evolving role of distributors, technology companies and other third parties
- How carriers can refine their value propositions and offerings to remain relevant and continue growth
- Changing technology requirements and opportunities to digitize and automate key processes across different stakeholders
- Workforce and employer expectations for a fully digital experience across the value chain

We see clear evidence of significant market "gaps," representing enormous growth potential of tens of billions of dollars, according to EY-Parthenon research. Many market segments remain underpenetrated, particularly small and midsize employers. Benefits participation among current workers can also be significantly improved. There is an additional opportunity associated with the massively underserved segment of nontraditional workers who want, but don't have access to, benefits. These promising growth opportunities will attract intense competition from both new and existing players.

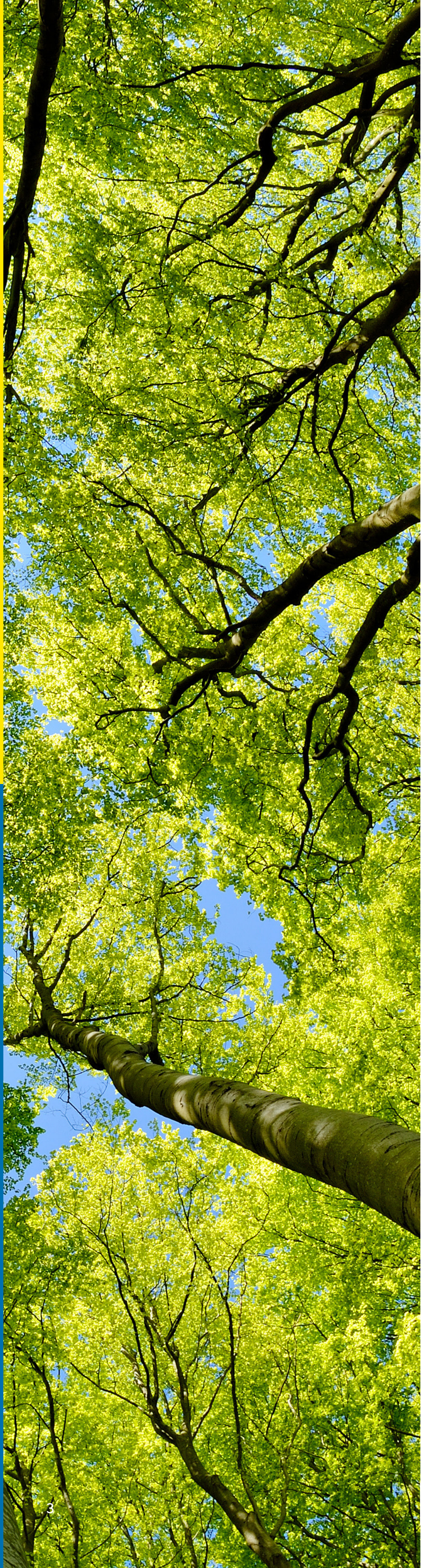
Note: Throughout this report, we use the term "provider" to describe any company, including insurance carriers, that offers benefits products to workers, either through an employer or directly. We use the term "worker" to describe all types of workers (including employees, gig, contract and contingent workers). We use "employees" when we mean traditional full-time or part-time workers hired and managed directly by companies.

About the research

Between June and September 2021, LIMRA and Ernst & Young LLP conducted:

- Interviews with 25 brokers and benefits consultants from the largest national firms, as well as regional and local players
- Online surveys of 804 employers broadly representative of US employers with 10 or more employees
- Online surveys of 1,292 employees weighted to represent the US population
- Interviews with 18 benefits administration and technology providers

Our approach combined primary and secondary quantitative and qualitative research to understand both common viewpoints and varying perspectives of key stakeholders regarding the current state and future outlook of the industry.



Five key megatrends

Our research highlights how industry stakeholders view the biggest opportunities and most important changes that will reshape the workforce benefits industry over the next five years.

1. **A more heterogeneous and fluid workforce changes what, why and how benefits are offered.**

2. **Expanded benefits are key to meeting post-COVID-19 needs and winning the war for talent.**

3. **Brokers are valued, but their role is evolving rapidly toward strategic services.**

4. **Gaps in benefit awareness and understanding have made employee education and engagement burning platforms.**

5. **As digital transformation accelerates, the industry is ready for a fully integrated, data-driven ecosystem.**

Megatrend 1:

A more heterogeneous and fluid workforce changes what, why and how benefits are offered.

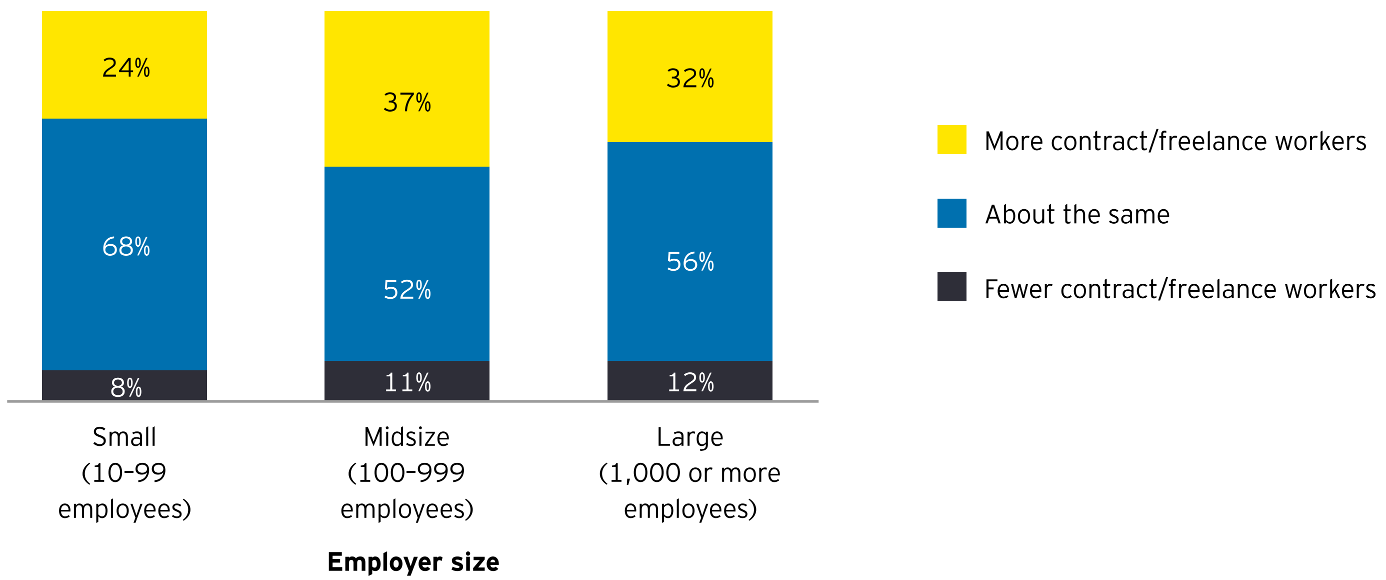
Employers are embracing the benefits of the new world of work. Six in ten employers in our survey report that a substantial proportion of their company's employees will continue to work remotely at least some of the time. A hybrid workforce will be the new normal, necessitating a reimagination of the benefits delivery process.

With five generations, more contingent workers, increased racial and ethnic diversity, and extensive remote working, the workforce is more heterogeneous than ever before. Different generations have different benefits needs and preferences, which evolve over time as workers face key life events that impact their financial goals (e.g., buying a home, saving for college, planning for retirement). Rising employer interest in a broader range of benefits reflects the needs of multigenerational workers. *See megatrend 2 and prediction 2.* Brokers see the impact, too, with almost two-thirds saying the multigenerational workforce will have a significant impact on the evolution of benefits offerings.

Rising numbers of contingent workers (including temporary, part-time, contract and freelance workers) are playing a larger role in the talent strategies of more companies. LIMRA research shows that at least a quarter of all workers have some form of nontraditional working arrangements, including those with "gigs" on top of regular jobs. The pandemic and Great Resignation surely boosted these numbers. With more companies desperately seeking talent to fill open positions, these workers will expect portable, personalized and/or individual-based benefits aligned with their needs that they can keep as they move from job to job.

Many employers expect to have more contingent workers in the next five years, and 30% think it's at least somewhat likely that they will offer some types of benefits to contract and/or freelance workers as the war for talent intensifies.
See figure 1.

Figure 1:
In five years, do you think your company will employ more or fewer contract/freelance workers?
(Employer perspective)



The impact of gig work

Long before COVID-19, the nature of work was being disrupted by a confluence of forces, including outsourcing, automation and high unemployment, all of which contributed to the rise of the gig economy. Technology advancements took the world from basic telecommuting to work-from-anywhere in a relatively short time. Mobile technology empowered and enabled workers to create "side hustles," generating new streams of income where, when and how they wanted.

LIMRA research has found that **26%** of workers are participating in the gig economy and **83%** of gig-only workers say they are gig workers by choice. Nearly half of gig workers, or **47%**, say that "lack of access to traditional benefits" is one of the top challenges of gig work.

In the wake of the pandemic, more workers are rethinking their jobs and lifestyle priorities, as evidenced by the Great Resignation (also known as the Big Quit). Microsoft estimates that **40%** of US workers thought about quitting their jobs in 2020. In 2021, many did so; according to the U.S. Department of Labor, **four million** workers quit in August alone.

This level of interest signals a huge market gap for any benefits provider that truly focuses on the needs of these workers and finds creative ways to engage them (e.g., through affinity groups or via gig working platforms). Most important, society would benefit from the development of attractive, affordable and accessible solutions for this underserved segment.

For benefits providers and technology platforms, independent gig worker benefits represent a largely untapped market, though one that will require a new approach. That's true in terms of both designing new packages for employers and expanding direct sales of portable and individual products with flexible features that are distributed via digital marketplaces. The ability to turn benefits on and off will be a critical requirement. Brokers also have a role to play by helping design plans for a clientele they have not served in the past. What may seem like a niche market today could soon become a huge — and highly attractive — one.

What brokers say:

"We are seeing great interest in voluntary benefits for nontraditional workers.

"There is a lot of opportunity to develop programs geared for gig and 1099 workers.

"Some products will be popular with the millennials and Generation Z. Some products will be popular with the boomers and Generation X. If you have something that only targets one side or the other, it's going to be hard to hit participation requirements.

What tech leaders say:

"Gig workers are more people that need access to benefits. It's another way for us to expand our footprint.

"I can totally see how a large tech company just wipes out the marketplace for selling benefits to the gig economy because the complexity of the decisions is just totally different.

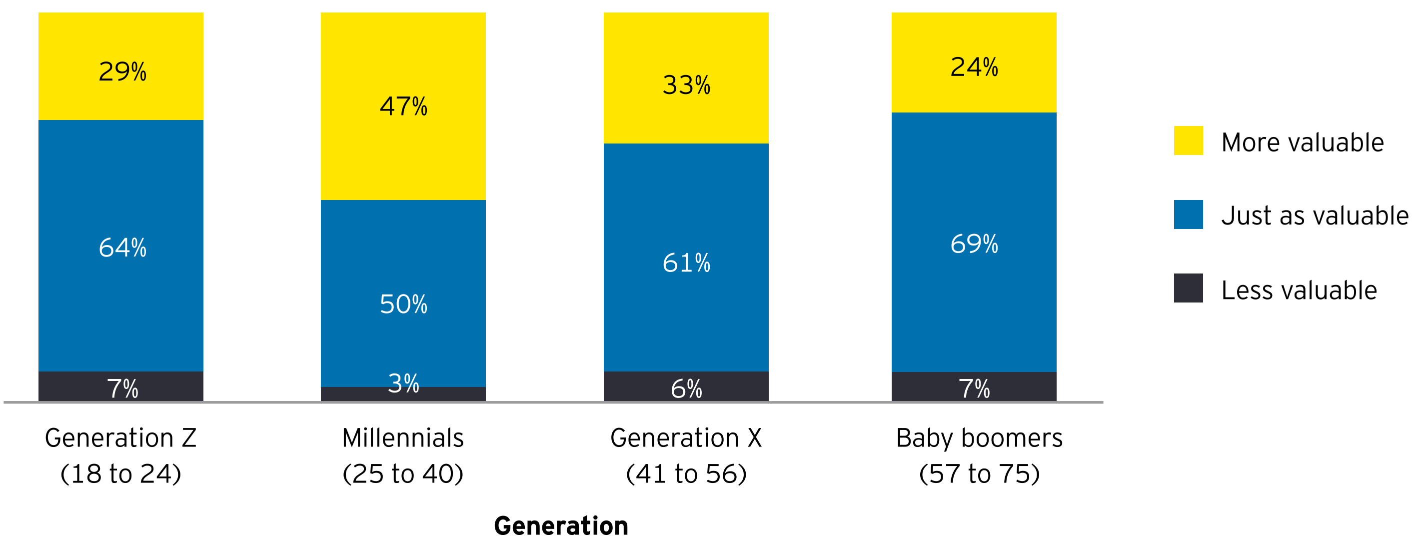
Megatrend 2:

Expanded benefits are key to meeting post-COVID-19 needs and winning the war for talent.

Industry stakeholders recognize that salary is no longer enough to attract and retain top talent. The COVID-19 pandemic sparked newfound appreciation of the value of ancillary and nonmedical benefits. Workers certainly saw their needs in a new light, particularly relative to financial security and well-being. Employers recognized how more valuable benefits would help attract and retain scarce talent. Mental health and substance abuse also became more pressing concerns.

Significant percentages of employees view benefits as being more valuable today than they were before COVID-19. *See figure 2*. That perception is particularly prominent among millennials, with nearly half indicating that their benefits are "more valuable" today.

Figure 2:
How valuable do you view insurance benefits offered at work now compared with before the COVID-19 pandemic?
(Employee perspective)

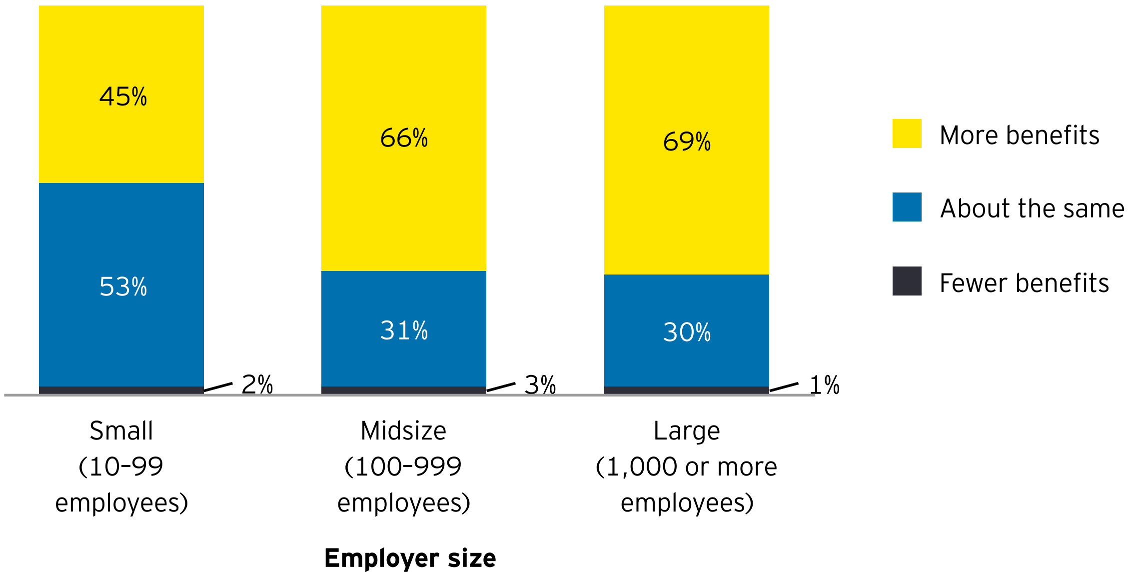


The survey results aren't surprising given that millennials have always wanted more than compensation; the "experience" generation is looking for employers that genuinely care about their well-being, and benefits are the best way employers can demonstrate that. *See megatrend 1*.

How employers are responding

Clear majorities of midsized and large employers are prepared to respond by offering more benefits. Very few expect to offer fewer. *See figure 3*. Brokers see the logic of expanding benefits; more than half of those we interviewed cited nonmedical products as a key unmet need for employers and employees.

Figure 3:
In five years, do you think your company will be offering fewer, the same or more benefits than it does now?
(Employer perspective)



Employers see benefits as necessary to compete in the war for talent. The rising cost of benefits, supply chain disruptions and growing inflation present additional challenges to employers looking to provide competitive benefits packages. Yet, while 54% of employers saw decreased revenues in the last year, the vast majority are not planning to cut back on benefits. Our research shows how employer perspectives on workforce benefits are evolving.

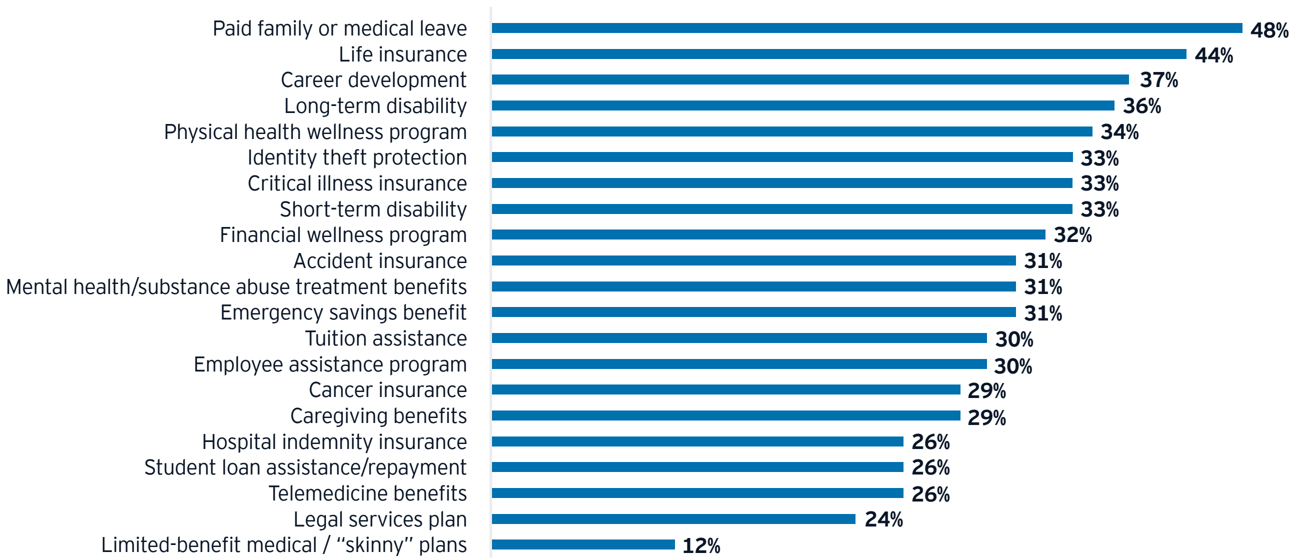
- Seventy-six percent of employers think their employees will expect a wider variety of benefits options in the future.
- More than 4 in 10 employers think their employees will have to pay a greater share of the benefits premium in five years than they do today. Companies feel pressure to balance the need for richer benefits packages with the imperative to manage costs, a tension that will further the momentum toward voluntary benefit packages as products and services continue to expand.
- About two thirds (62%) of employers — including 80% of companies with more than 100 lives — believe employees will have more influence over benefits decisions in the future.
- Nearly half, or 47%, strongly prefer to offer a more customized menu of employee benefits options for employees to choose from vs. 30% that strongly prefer a one-size-fits-all package.

What employees want — and what employers think they want

Our results show that employees are looking to their employers to meet not only traditional insurance and related protection needs, but also to address a broader set of needs in the post-pandemic "new normal."

Consider how employee survey respondents cited both traditional and new offerings as benefits they want to be offered in the future, highlighting the generational shift in employee perspectives on their relationship with employers and the role that workforce benefits play in that relationship. *See figure 4.*

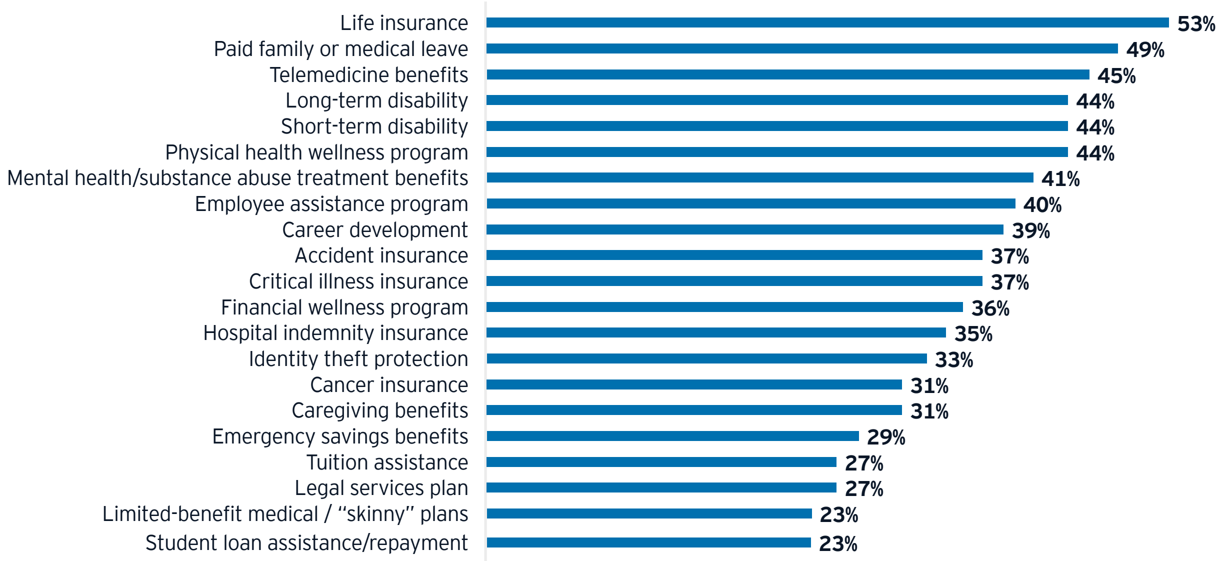
Figure 4:
Regardless of whether the benefit is currently available to you at work, how interested would you be in having your employer offer it in the future? *(Employees who are extremely or very interested)*



Wellness benefits are more appealing than in the past, and employees also showed renewed interest in income protection and insurance benefits (e.g., life, disability). Other research from both LIMRA and EY confirms that the pandemic heightened consumer awareness of the value of such coverage. Employee interest in new categories of nonmedical and noninsurance benefits is growing, too. Career development support; identity theft protection; and financial, mental and physical wellness programs figured prominently in our survey results.

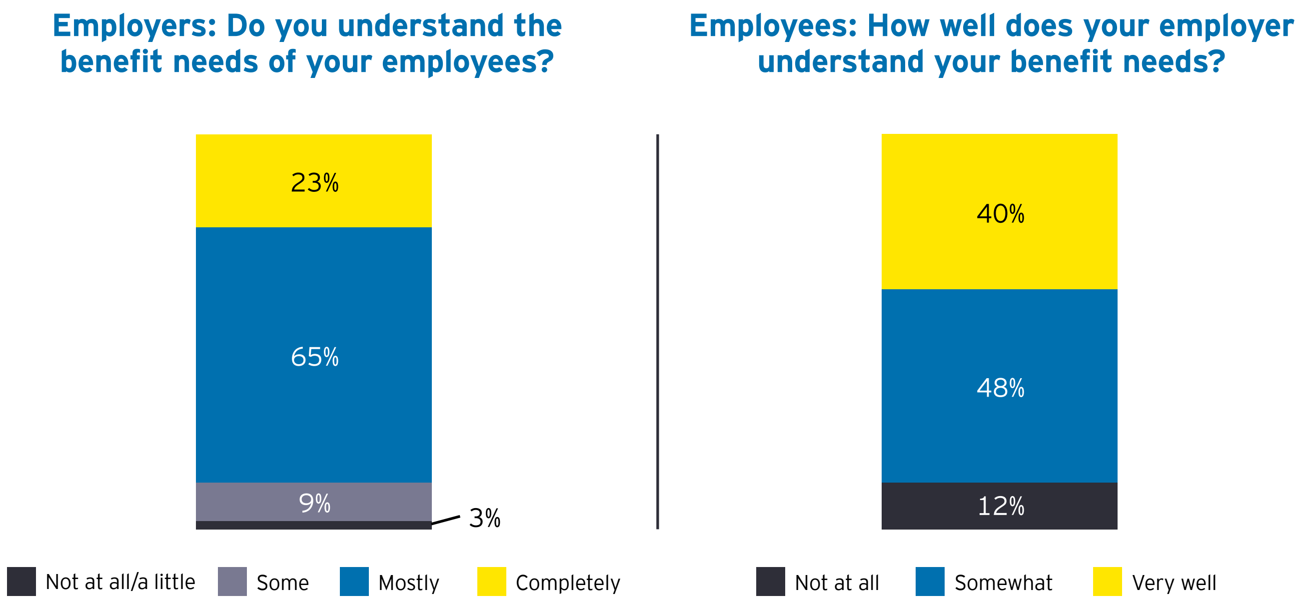
While the pandemic permanently altered the working world, traditional and nontraditional benefits will remain essential to employers' value propositions and talent strategies. Based on the overlapping interest among employers and employees, paid leave and physical and mental health and wellness benefits (including employee assistance and substance abuse) appear poised to become more common, complementing traditional medical and insurance offerings. Workforce benefits programs will evolve from meeting needs one at a time to an approach that addresses employee needs on a more holistic, personalized basis. *See figure 5*.

Figure 5:
Five years from now, how interested do you think your employees will be in the following types of insurance benefits? *(Employers who believe their employees will be extremely or very interested)*



The slight misalignment between employer and employee interest in different types of benefits could be a matter of perception: 88% of employers believe they "mostly" or "completely" understand needs of employees, compared with just 40% of employees who believe their employers understand their needs "very well." *See figure 6.* Rising employee influence over benefits is likely to shrink these gaps in the future, as will more effective communication and education programs. *See megatrend 4 and prediction 4*. However, employers that do not find a way to close this gap will face even larger challenges in finding and retaining talent.

Figure 6:
Employer and employee views of benefit needs



What brokers say:

"Clients say they can't find good people and are struggling to hire so they are now enriching their benefit plans.

"I have heard of companies where 25 people just walked out the door because the company across the street offers a more robust package.

"Talk about mental health product, EAPs, additional support and telemedicine has skyrocketed because what people value has changed.

What tech leaders say:

"There is definitely product innovation going on but I wouldn't characterize it as revolutionary, more like iterations on what exists already.

"We are going to see more lifestyle products that really look at the whole person and address quality of life.

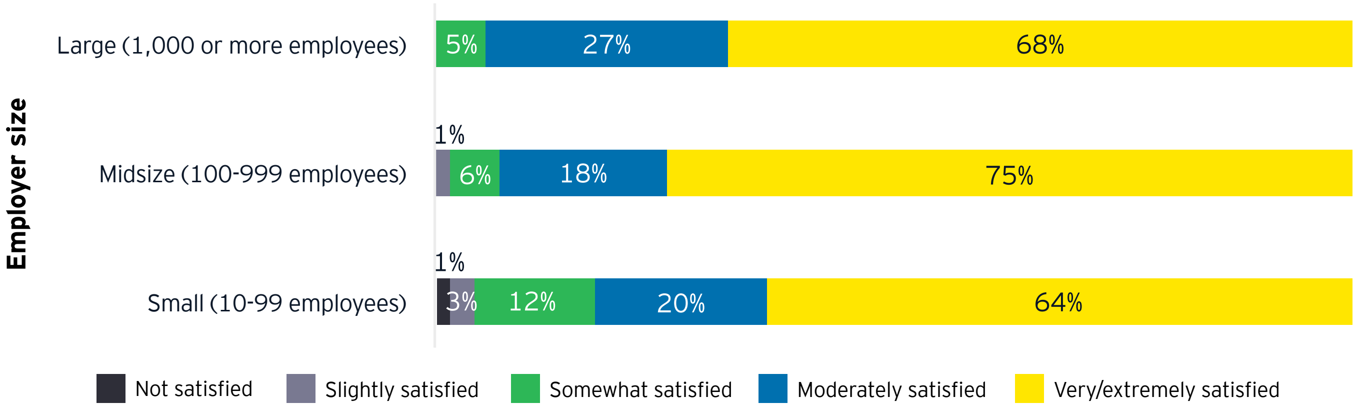
"Employers want a compelling value proposition and ancillary benefits are a huge part of this.

Megatrend 3:

Brokers are valued, but their role is evolving rapidly toward strategic services.

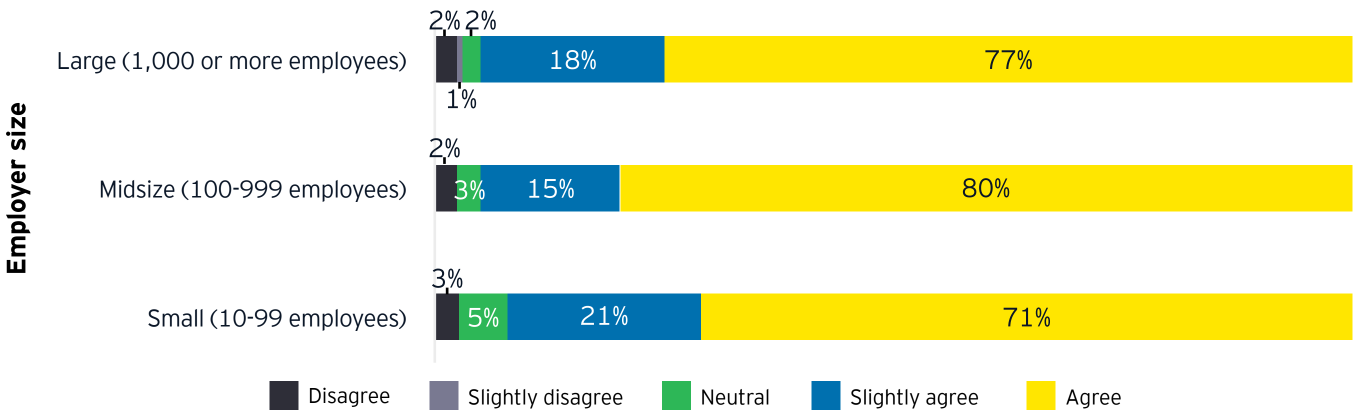
Brokers have long been a pillar of the employee benefits space. Today, their role is changing, as employers look to address new needs due largely to changing regulations, increased digitization and benefits complexity. Likewise, general agents are establishing new competitive positions in the marketplace. To be clear, brokers remain relevant; across all market segments, large majorities of employers are "very" or "extremely" satisfied with brokers and advisors. *See figure 7*.

Figure 7:
How satisfied is your company with the services provided by its broker/benefits advisor?
*(Employer perspective)**



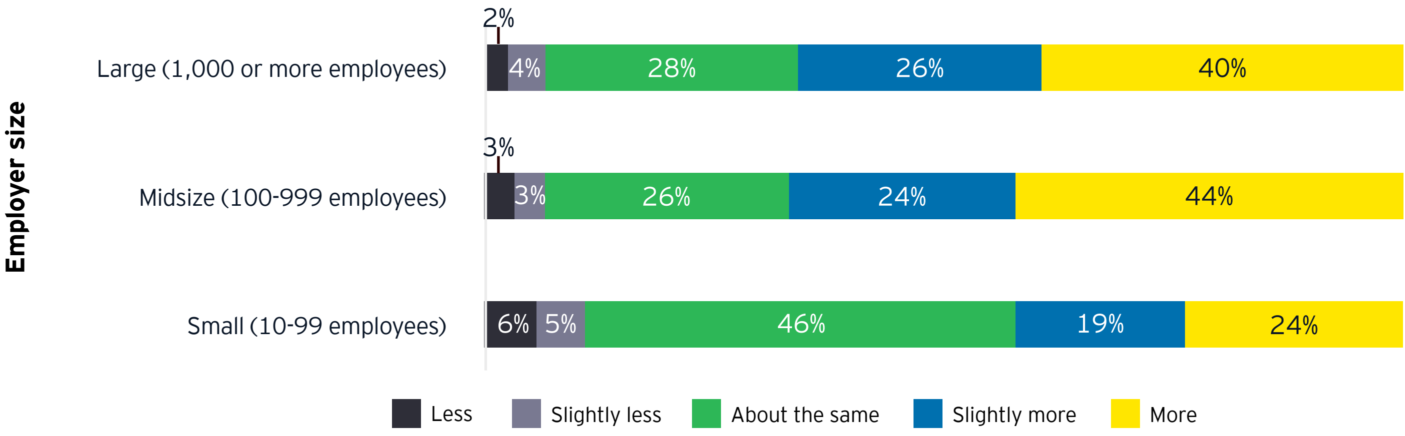
Given increasing benefit complexity, brokers will spend more time advising their clients. Many are already doing just that, as more than seven in ten employers recognize, and this trend will only accelerate. *See figure 8*. Employers that receive support and advice from their brokers tend to be much more satisfied with the relationship. Given these trends, it's not surprising that 46% of all employers and 67% of those that have more than 100 employees expect to rely on their brokers more in five years than they do today. *See figure 9*.

Figure 8:
"Our broker/benefits advisor provides valuable support and advice beyond simply presenting our benefit options."
*(Employer perspective)**



**Base = employers that currently work with a broker/benefits advisor.*

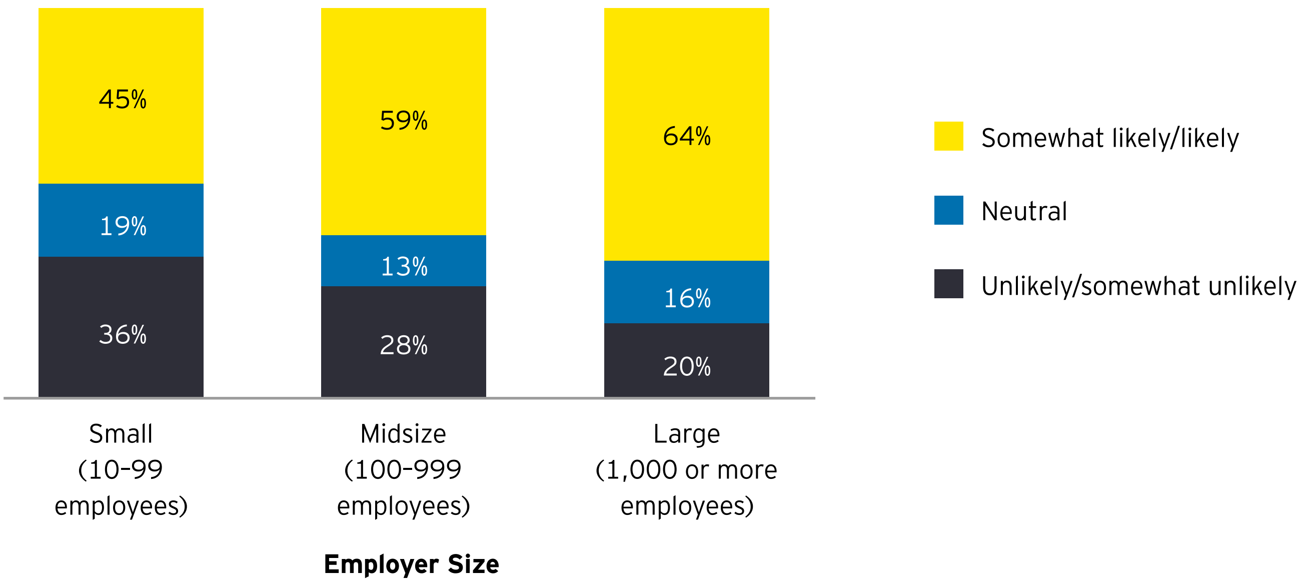
Figure 9:
Five years from now, do you think your company will rely on its broker/benefits advisor more or less?
*(Employer perspective)**



**Base = employers that currently work with a broker/benefits advisor.*

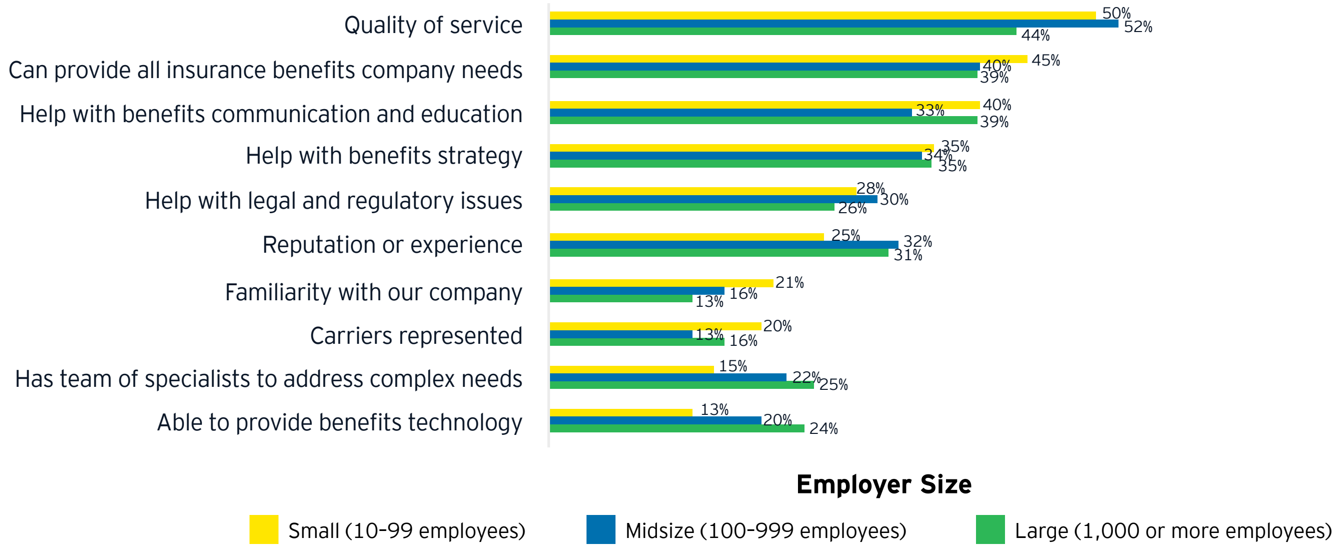
Still, the trend to digital and direct distribution is pronounced. Nearly half of small firms, or 45%, say they are likely to purchase benefits without the help of a broker in the future. These firms will gravitate to digital marketplaces and self-service tools. Larger firms will also use them for simpler benefits and to boost process efficiency. *See figure 10.* But as benefits complexity continues to increase and employers seek customized and flexible plans, they will turn to brokers for strategic guidance.

Figure 10:
Likelihood of purchasing benefits without the help of a broker or advisor
(Employer perspective)



Even technology platforms that are betting big on digital don't expect brokers to go away. One tech executive told us, "Brokers aren't travel agents." But as more tasks are automated, brokers will take on higher-value tasks. Our research highlights the strategic services employers are most interested in. Employers across all segments rate service quality as the top criterion for selecting brokers, though other elements contribute to a more strategic set of services. The next most critical attributes are the ability to provide holistic solutions, support communication and education, and shape overall benefits strategy. *See figure 11*.

Figure 11:
Most important factors considered when choosing a broker or benefits advisor
*(Employer perspective)**



**Base = employers that currently work with a broker/benefits advisor.*

Brokers recognize the need to reinvent and differentiate themselves by creating new forms of customer value. The last year foreshadowed the great changes to come: the majority of brokers we interviewed felt COVID-19 had a material impact on how they conduct business and see the need to evolve how they source and serve clients post-pandemic. We believe the most effective brokers will be those who are comfortable using analytical tools and providing data-driven insights to supplement their expertise to inform benefits strategy. *See prediction 3*.

What brokers say:

"I don't add a ton of value for enrolling employees. I would rather be focused on higher-level, more important tasks and determining the overall strategy for their benefit program.

"Employers buying direct will have a 25% impact on our business.

What tech leaders say:

"I don't think the technology firms are going to replace the brokers and the carriers, but it's a new order of how roles will be defined and come together.

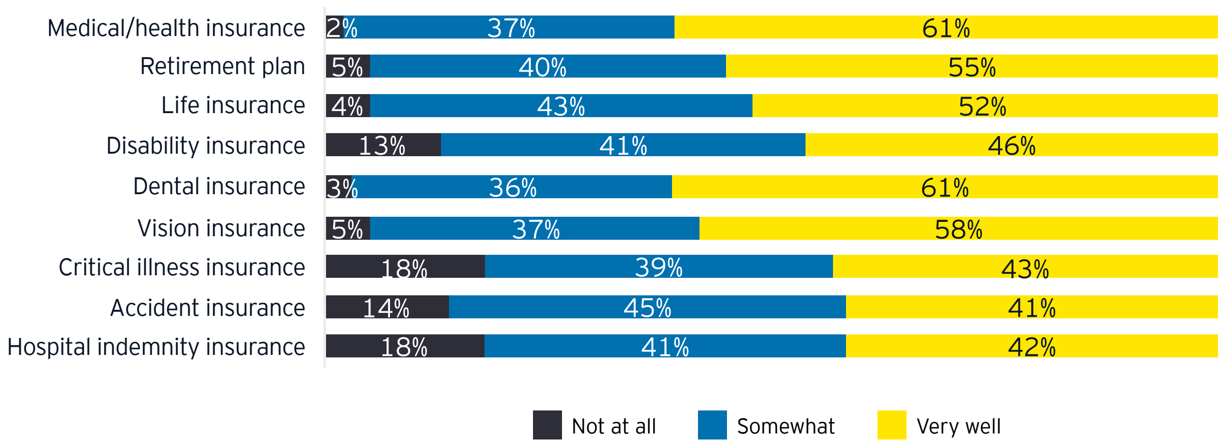
"I view brokers today as the most trusted advisors and I don't see that role fundamentally changing over the years, but there will be a much stronger emphasis on the value being added by consulting.

Megatrend 4:

Gaps in benefit awareness and understanding have made employee education and engagement burning platforms

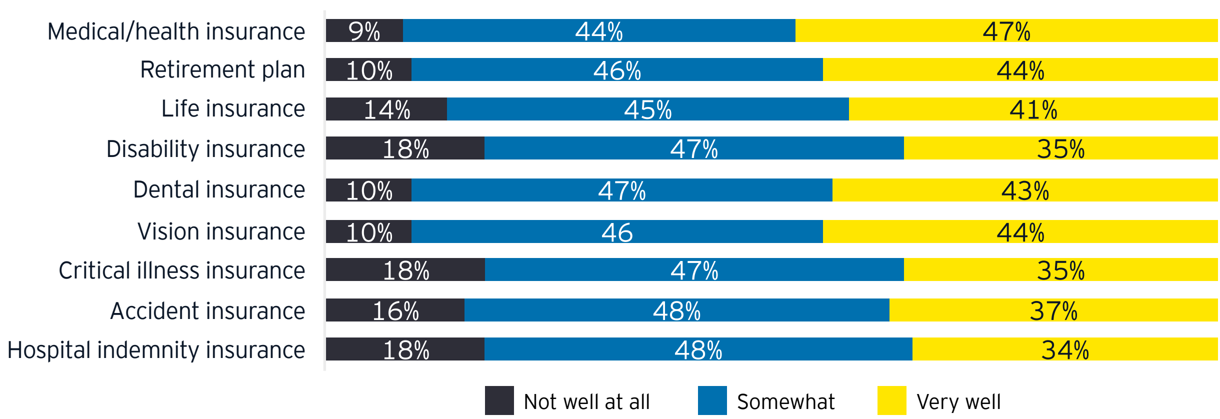
As important as benefits are, many employees don't fully understand them. *See figure 12*. This lack of understanding limits adoption and prevents employers from realizing the full value of their investments in benefit programs and from competing effectively in the war for talent. The challenge will only become more difficult as benefit options expand and become more complex to meet the needs of the heterogeneous workforce.

Figure 12:
How well do you understand the benefits available to you at work?
*(Employee perspective)**



This long-standing issue might actually be getting worse; while there's no clear consensus about who is responsible — employers, benefits providers, technology platforms or brokers — for addressing it, the current approach is not working well for anyone. Our research shows that employers have plenty of room for improvement when it comes to communicating about benefits. *See figure 13*.

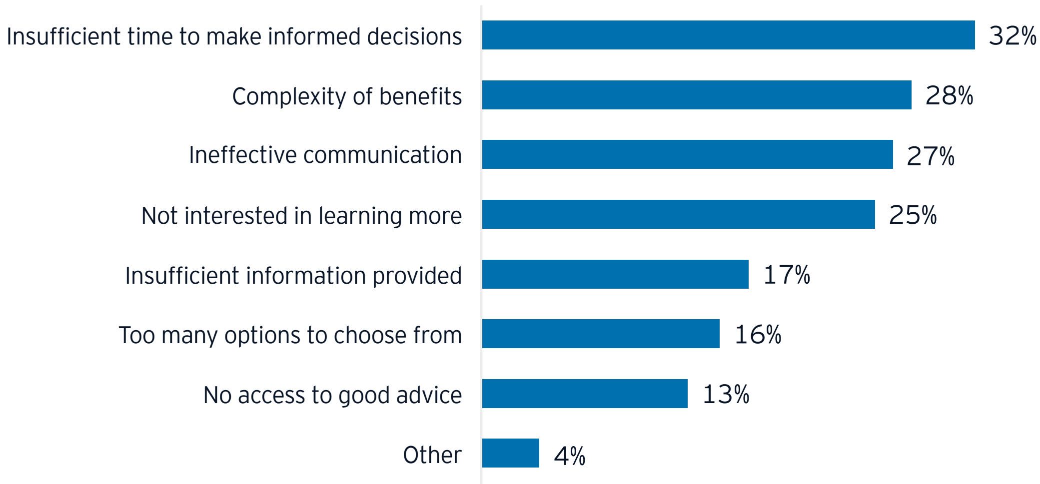
Figure 13:
How well does your employer communicate the following benefits to you and your fellow employees?
*(Employee perspective)**



**Base = employees who are offered the given benefit at work.*

Employees are looking for clearer information and recommendations about the benefits best suited to them. Our results show that employers' current education approaches fall short — 71% of employee respondents rely on them only somewhat or not at all. Respondents cited multiple challenges to understanding, from lack of time and overall benefit complexity to insufficient or poorly communicated information. *See figure 14.*

Figure 14:
What is preventing you from having a better understanding of your benefits?
*(Employee perspective)**



**Base = employees who say they understand their benefits "somewhat" or "not at all."*

Employers also recognize the need to improve. Specifically, they need to enhance digital applications and services that support implementation, education and enrollment. *See megatrend 5*. More than a third (34%) do not have decision support tools, while 47% of employers that offer such tools are either not satisfied or only moderately satisfied with their effectiveness. Almost as many (43%) said they strongly prefer that employees enroll in benefits with considerable assistance and support over the next five years compared with only 30% who strongly prefer employees enroll completely on their own via self-service.

Employers themselves are challenged with understanding the myriad of benefits options available to them, as well as regulatory complexity. Some employers are looking to carriers for support as they seek to empower employees. Significant percentages of employers believe it is the carrier's responsibility to provide enrollment communication and education (25%) and decision support and recommendations (27%) to employees. Carriers that can leverage and compile life, health and wealth data across the ecosystem to offer a personalized needs assessment will be best positioned to create engaging workforce experiences as a platform for growth.

Brokers, too, will have a role to play in designing education programs, particularly in providing consultative advice. Employers are most likely to want brokers to be responsible for benefits education (36%) and decision support (39%). Brokers recognize the need for more effective education and communication as benefits menus expand and diversify. They see the challenge as one of informing employees in a personalized and contextualized manner, given the limitation of annual enrollment windows.

Looking ahead, roughly half of brokers interviewed cite material increases in benefits education and awareness as critical gaps that must be bridged for employees. Some brokers think education can help benefits expand from a once-per-year event to an ongoing relationship based on workers' evolving needs across life stages. Half of brokers believe personalized data accessibility will become more prevalent in the future, provided that adequate employee consent and data safeguards are in place. Data-enabled personalization will help with education, particularly relative to more flexible and customizable offerings.

Benefit administration firms are working actively to find solutions to these issues as well, as in many cases they control the employee engagement experience. Benefit administration technology and platform providers will play a critical role – managing employee data and curating the employee experience as they consider their enrollment options. With more data available, artificial intelligence (AI) enabled tools can assess employee needs based on life stages and provide personalized recommendations, ultimately driving higher rates of employee adoption.

As employers look to employees to take on more responsibility and potentially pay more for benefits, the pressure for richer information, more engaging experiences and more robust decision support tools will only increase. *See prediction 4*. The same is true of increased benefit complexity, including the ability to customize and personalize. The bottom line is that enhanced benefit programs won't be effective in the war for talent if employees don't understand their benefits, recognize their value or understand how to use them. The industry player that solves this long-standing issue relative to worker education and engagement stands to realize considerable upside. The prize is large. Research conducted by EY in 2020 identified a $70 billion revenue opportunity from greater levels of participation with existing products alone.

What brokers say:

"Employees need communication and education. They need learning, not pushing, like education on finances and cash flow.

"At least 75% of workers need improved communication.

What tech leaders say:

"It is on the technology platforms to create a user experience that is engaging and explains the products in a way that the user has the information to make a selection.

"It's shocking that people are still largely uncertain as to what's available to them and how they can leverage it.

Megatrend 5:

As digital transformation accelerates, the industry is ready for a fully integrated, data-driven ecosystem.

All participants in our research recognize that the velocity of technology adoption will only accelerate and that more digitization is necessary and inevitable. There is considerable buy-in to the idea of a dynamic, industry-wide ecosystem, where all stakeholders connect and share data seamlessly and in real time. However, a common theme expressed by all parties is the need for carriers to hasten their digital transformation initiatives. Rigid legacy systems have hindered carriers from creating innovative solutions to meet changing marketplace demand.

For instance, the majority of brokers believe technology improvements that enable greater ease of doing business and a higher-quality service experience are critical needs for employers. But only about one in three brokers believe technology is an important criterion for carrier selection today. They may be underestimating the importance of technology to employers; when selecting benefits providers, two thirds of employers say they would choose firms that work well with their benefit technology platform, even if their product is a little more expensive.

Employers certainly understand where things are headed: 70% to 80% of employers across all size segments believe technology will play a larger role in carrier selection in five years. For many, technology equates to efficiency. Employers expect to rely more heavily on technology from all their partners, with software vendors topping the list. *See figures 15 and 16*. Collectively, these findings point the way forward to a holistic ecosystem of comprehensive benefits services. *See prediction 5*.

Figure 15:
Five years from now, do you think carriers' digital capabilities will play a larger or smaller role in your company's selection of insurance benefit carriers?
(Employer perspective)

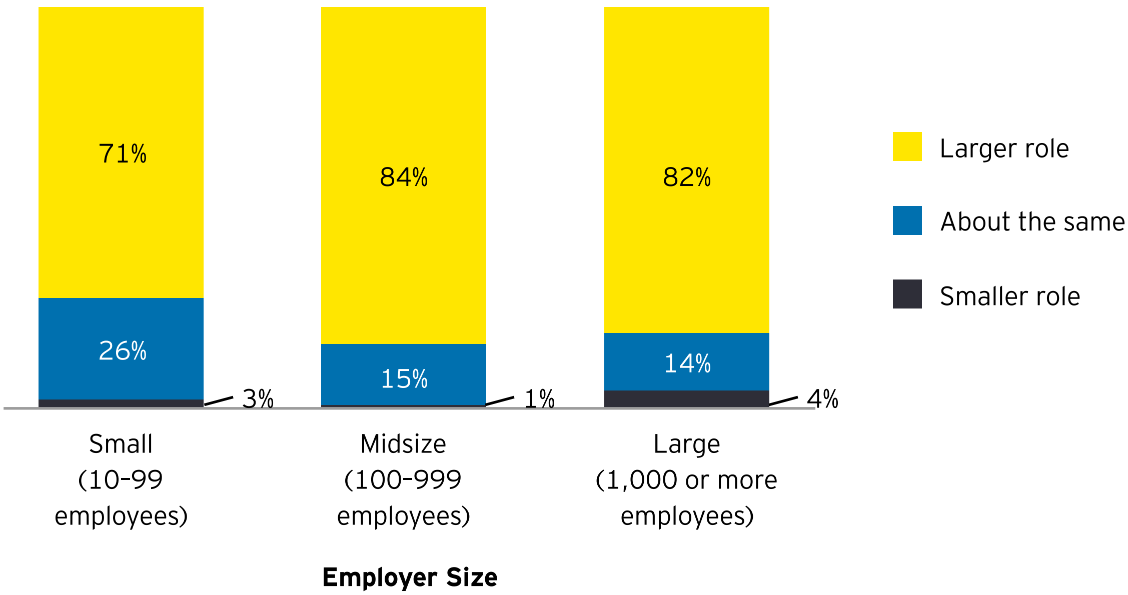
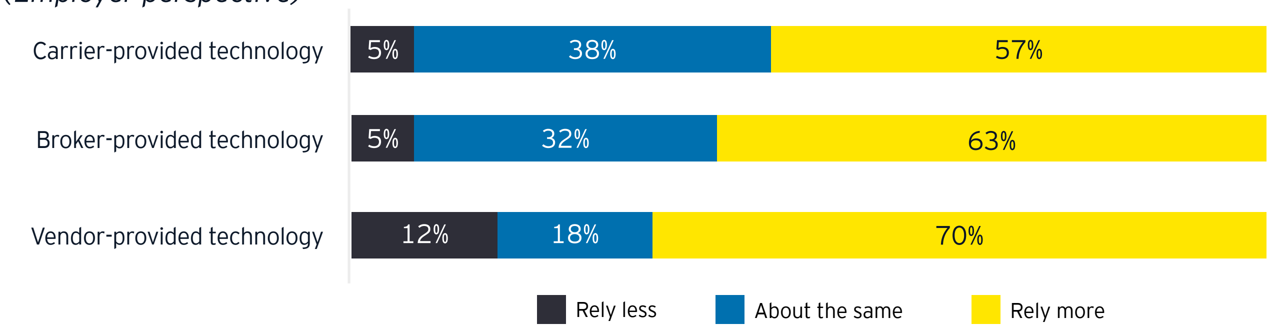


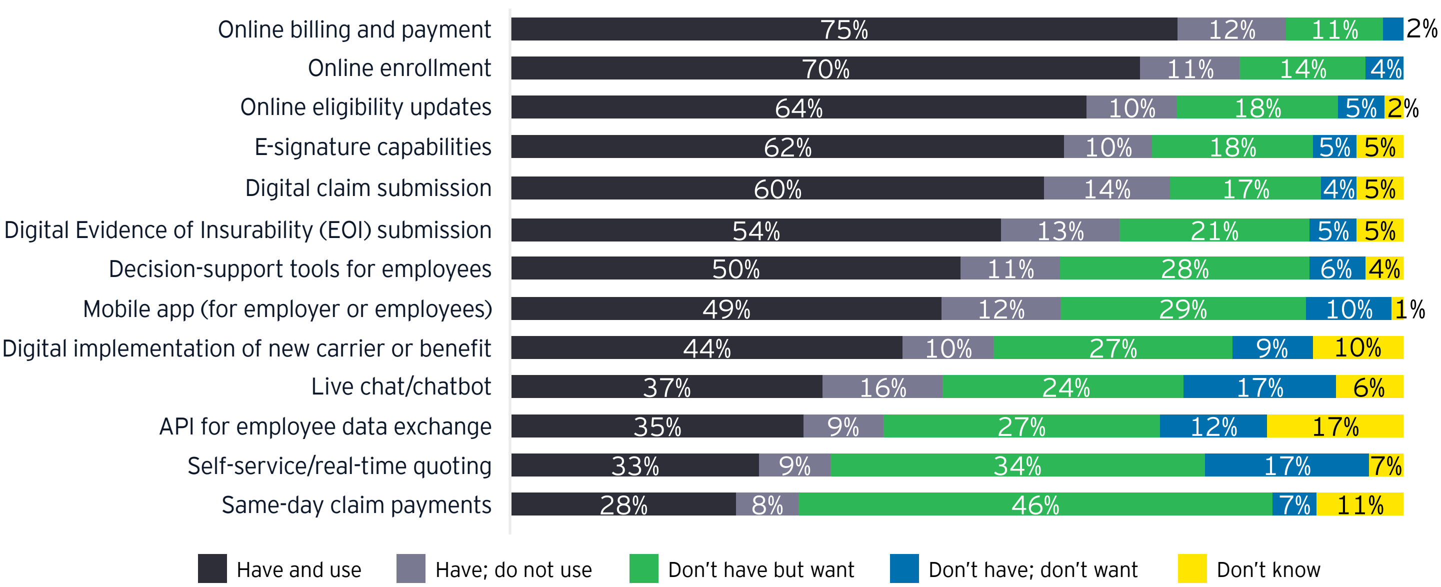
Figure 16:
Five years from now, do you think your company will rely on its benefits technology more or less than it does now?
*(Employer perspective)**



Base = employers that have technology provided by the given stakeholder.

The vast majority of employers have and are using digital solutions for a range of services across the end-to-end value chain. There are also a significant number of digital solutions that employers do not have but want, which signals unmet needs and an opportunity for better digital support, a gap many tech providers are anxious to fill. *See figure 17*. To make a fully integrated industry ecosystem a reality, many more employers will have to embrace application programming interfaces (APIs) for employee data exchange and greater digital connectivity.

Figure 17:
Employers' access to and desire for digital services
(Employer perspective)



However, only 56% of employers are very satisfied with the technology provided by their insurance carrier today. A similar proportion, 57%, believes they will be more reliant on insurance carrier technology in five years. Specifically, employers are looking for digital enablement of the end-to-end value chain.

- Digital onboarding: 27% still need it and 37% that have it are less than fully satisfied.
- API-enabled data exchange: 27% still need it and 45% that have it are less than satisfied.
- Same-day claim payments: 46% still need it and 44% that have it are not fully satisfied with it. This clearly represents a desire for faster claims processing, even for those products where same-day payments are not a realistic option.

The tech platform providers we interviewed offered insights into the current state of technology. They were highly focused on the "fragmentation" of today's experience — the difficulties of presenting smooth, intuitive interactions for different types of workers and integrating multiple carriers and benefits providers into seamless employer-facing systems and tools. Current technology is designed to serve individual stakeholders, but "one size does not fit all," as one tech platform executive told us. Another said, "We have all this data, but it's not clear how to use it."

Certainly, today's fragmented and siloed systems must be better connected — or even replaced — for all stakeholders to use data more effectively (e.g., 360-degree views of workers, integration of claims, personalized recommendations and offerings). The end goal is to create a much more integrated, personalized and relevant experience that offers both traditional and nontraditional products. To realize the vision, tech firms are particularly focused on APIs, cloud-based services and stronger predictive analytics for personalization — priorities that overlap with the agendas of carriers and employers alike.

Real-time data exchange — a frequently mentioned "holy grail" among interviewees — will enable a highly dynamic and fully integrated ecosystem that will benefit all stakeholders. Employees will be able to add and subtract benefits and features as their needs change across different life stages. Employers will manage all of their benefits providers through a unified experience in real time, saving human resources staff considerable time and headache. A broker we interviewed put it this way, "It is almost going to be like a digital marketplace where you log on and you put something in your shopping cart, like dental, and move on."

It's clear that all industry stakeholders are ready for better technology today and expect to use it much more extensively. Plus, there is growing consensus about what it will take to make it happen. *See prediction 5*.

What brokers say:

"Products have become commoditized; the only way to differentiate is service, onboarding and portability.

"The price competition isn't as big as the service competition.

"When carriers don't have technology, I just don't want to do business with them.

"I went through an EOI submission recently and for some of the products they wanted copies faxed in. Who does fax anymore?

"Insurance companies will acquire technology companies if it helps differentiate and bring the expertise and resources in-house from a cost standpoint.

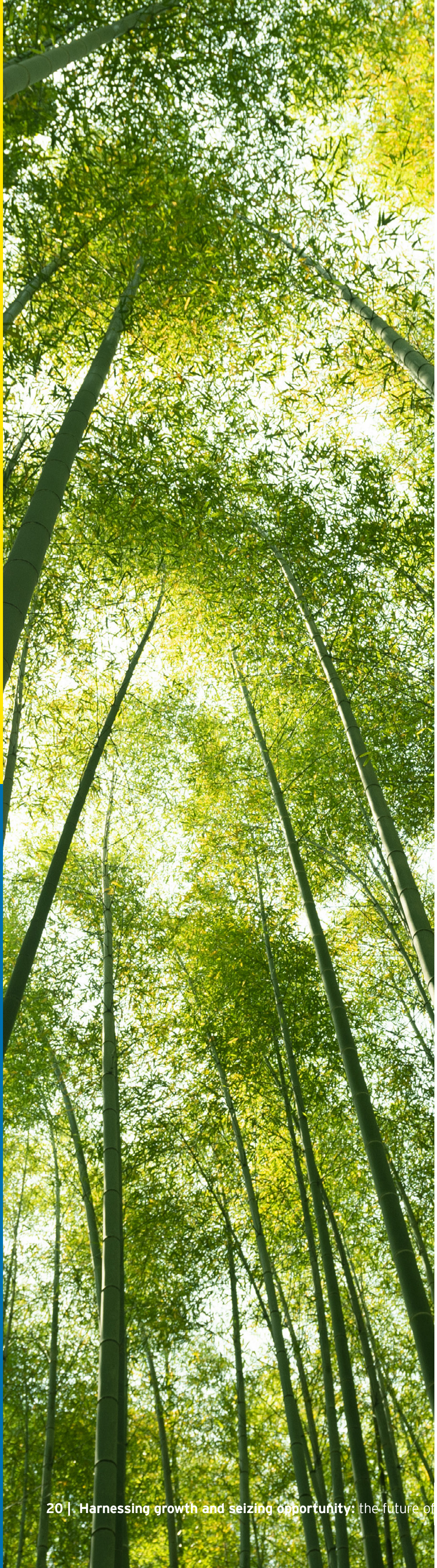
What tech leaders say:

"From a carrier perspective, employers are going to look for leaders in technology. Whoever jumps on that wagon first is going to have a real leg up in the market.

"For carriers, technology can play a huge role in ultimately driving adoption and persistency of their products.

"Some of the newer InsureTech companies are going to try to come in and work their magic in the group space.

"New technology that's coming out right now doesn't have the technical debt and is incredibly powerful. It's merging AI technology with mobile to provide a great experience. That's pretty ripe for disruption on the carrier side.



Five high-growth predictions for the next five years

Our analysis of the LIMRA-EY research findings concludes that there is huge growth potential for the newly redefined "workforce benefits" market. These five predictions describe our view of the market's evolution and how transformative change through 2026 will impact various market stakeholders and enable carriers to harness growth.

1. **Fewer than 50% of workers are traditional employees in the workplace.**

2. **The nonmedical benefits market grows by 20%.**

3. **Broker business models will continue to shift away from sales commissions and toward strategic consulting revenue.**

4. **A carrier, tech player or partnership realizes top-decile growth by reimagining the benefits education experience.**

5. **Digital capabilities and intuitive, tech-enabled service experiences become top criteria for carrier selection.**

Prediction 1:

Fewer than 50% of workers are traditional employees in the workplace.

The robust gig economy and the Great Resignation redefine the workforce and nature of work.

Benefits will change as gig, freelance, part-time and contract workers become a bigger part of the workforce; more employees work from home; and traditional employment relationships are redefined. Additionally, portable, individual offerings grow in importance so coverage moves seamlessly with workers. More flexible and personalized packages, with nonmedical and voluntary benefits, will help companies keep the employees they have and attract the talent they need to grow. Regulatory changes may help facilitate portability, which is key to spurring adoption by nontraditional employees.

Ample market research shows rapidly expanding acceptance of nontraditional work arrangements.

- According to the Conference Board, 36% of companies will hire workers from anywhere and allow them to work remotely all the time, up from 12% pre-pandemic.
- According to *Fortune*, independent workers saw 33% increases in income in 2020.
- According to LIMRA and EY, 24% to 37% of employers will expand their use of contingent workers over the next five years.

As all forms of gig work are normalized and some workers choose that lifestyle, we believe that benefits will become a more common feature of "side hustles," as many contingent workers describe what they do. While there are headwinds, the emergence of benefits for nontraditional workers unlocks dramatic growth for the most innovative players, including tech platforms that create compelling direct and digital experiences and for carriers that can design the right solutions. In serving this new type of worker and expanding eligible populations, the industry could see revenue gains of up to $150 billion, according to EY-Parthenon research.

Prediction 2:

The nonmedical benefits market grows by 20%.

New needs and competition for scarce talent drive significant expansion of workforce benefits.

Rich, personalized benefits that support increased work-life balance and meet the needs of a diverse, multigenerational workforce will be critical to attract and retain top talent in the future. After the hardships of the last year, demand and heightened recognition for the value of life insurance, disability, leave and income protection products will continue to rise. Supplemental mental health, wellness and substance abuse benefits will also become more common, ultimately becoming baseline benefits offered by most large companies.

Based on strong employer interest, our research suggests significant growth in the next five years from both traditional and nontraditional products and services, including:

- Life insurance
- Paid family leave
- Disability insurance
- Physical health and wellness (gym memberships, on-site programs, nutrition coaching)
- Mental health and substance abuse
- Employee assistance (marital, family, financial, legal counseling)
- Career development (training and education)
- Financial counseling (debt management, budgeting, wealth management)

At least one quarter of employee respondents rated 13 noninsurance benefits as very or extremely valuable. This high level of interest is in addition to a large number of already highly valued insurance and retirement savings benefits. Appeal for specific benefits varies by employee age, income and life stage, requiring a nuanced benefits strategy. Satisfying this demand will be a challenge for employers, but an urgent one, given it also signals a compelling growth opportunity for insurance carriers (though they'll need to diversify their offerings) and other benefits providers (that can gain market traction by meeting needs now considered niche).

The current trend toward voluntary benefits packages will accelerate, as employers face cost pressures and other headwinds. As one broker commented, "Done right, these programs can get people thinking about their benefits in a different way." The shift to permanent work-from-home and hybrid working models will intensify the war for talent, making nonmedical benefits an essential tool to compete.

Prediction 3:

Broker business models will continue to shift away from sales commissions and toward strategic consulting revenue.

Brokers act as strategists and curators as distribution digitizes.

As the digital agenda continues to take shape and transactions are automated, the broker value proposition will continuously shift from delivery to consultation, and compensation structures will evolve accordingly. As benefit programs grow bigger and more complex, a growing number of employers across all segments will ask brokers to serve as strategic advisors. In this role, brokers will provide assistance with benefits strategy, communication and education programs, as well as legal and regulatory issues. No longer will price be the first consideration in broker-employer discussions. The most successful brokers will leverage the power of data analytics and provide data-driven solutions to their clients. They will help employers evaluate their options, design packages to meet the diversifying needs of multiple generations of workers and assess technology solutions.

These services equate to a significant new revenue stream, which will be critical to compensate for the inevitable reduction in commissions as direct and digital distribution expands. Brokers will need to develop unique value propositions for all types and sizes of employers. Almost half (46%) of the employers we surveyed would likely or very likely obtain new insurance benefits without the help of a broker or benefits advisor. That number is notably higher for larger employers. Interestingly, that is the same percentage of employers that expect to rely on their brokers more in five years than they do today. Collectively, these trends highlight the evolution that is occurring not only in the broker landscape, but also in how employers think about meeting their benefit needs. *See megatrend 3*.

The most effective brokers will be those who navigate the evolving benefits landscape and provide insight into diverse, multigenerational employee needs and can map the right mix of benefit offerings to those needs, as well as the company's unique requirements. According to one broker, "As employee needs have changed, employers need us to be more creative with products and solutions that are relevant, useful and low cost." Such customized solutions will also prompt a reimagining of the employee engagement and benefits delivery processes.

Prediction 4:

A carrier, tech player or partnership realizes top-decile growth by reimagining the benefits education experience.

AI-enabled solutions transform the delivery of benefits education and engagement with more personalized experiences that boost adoption rates.

The long-standing benefits education challenge is, depending on how you look at it, either a burning platform or huge growth opportunity. Market research conducted in 2020 by EY-Parthenon identified $70 billion in potential revenue from increasing employee enrollment rates within existing programs. The higher stakes are reflected in the increased focus on customer-centricity and the number of tech players working to develop innovative tools, coupled with the intense need for carriers to enhance their offerings. Whichever of these players steps in with a solution that is customer-centric, meets employee needs and fulfills employer expectations with more effective tools and content will gain a clear and substantial competitive edge — not to mention a large spike in revenue.

Again, our research makes clear that everybody is looking for better education, engagement and recommendations about benefits. *See megatrend 4*. But it's far less clear who should provide them. The goal must be to deliver what employees want:

- Benefits information that's easier to understand
- Recommendations on the right coverage amounts based on individualized and multigenerational worker needs
- Opportunities to discuss options with benefits providers

In doing so, employers will see a significant uptake of benefits by all types of workers — up to 20% higher, according to some stakeholders we interviewed. Those kinds of gains establish solutions as "industry leading," providing huge growth for developers, as well as lots of fast followers.

Platform providers believe the right solution will be highly engaging and personalized, offering contextualized recommendations based on sophisticated, AI-driven algorithms and take advantage of concepts from behavioral economics (e.g., default bias and social norming). These are especially important considerations given the multigenerational workforce. Ease of use is another key attribute. They will also be designed with the front-end employee experience in mind, not unlike other FinTech platforms that have scaled quickly. The benefit selection process for nontraditional workers may resemble the experiences of the most popular "gig work" platforms.

Prediction 5:

Digital capabilities and intuitive, tech-enabled service experiences become top criteria for carrier selection.

Digital will dominate every aspect of worker benefits in the future, which raises the bar on ease of use and quality service experiences.

Benefits providers are no longer only competing against each other. Rather, expectations for digital experiences are defined by the companies consumers interact with every day. The bar continually rises as technology advances.

Digital will dominate every aspect of workforce benefits in the future, which raises the bar on ease of use and quality service experiences. According to LIMRA research, more than one third of all employees and half of employees aged 25 to 34 have installed a mobile app from their benefits provider. As the industry connects via robust ecosystems, we expect more than 50% of annual enrollment will be completed by users on mobile devices and that tech platform-carrier partnerships will capture 20% of the workforce benefits marketplace.

Two key factors point to growth:

- Millennials, who have higher expectations for digital experiences, are now major buyers in the industry and the largest generation in the workforce, comprising at least one third of all workers, according to the Pew Resesarch Center.
- The emergence of API standards will enable rapid plug-and-play across the ecosystem, among all players and for all services across the full workplace benefits value chain.

The technology is ready to deliver what employees want and employers will soon demand. Thus, benefits providers will win or lose in the market based largely on their end-to-end digital capabilities.

As we saw in the last prediction, technology will have a huge impact on education and personalization. Just how important will connectivity be? Two thirds of employers preferred carriers that could connect with their benefits technology platform over those offering the best value product. Cost is no longer king; a holistic experience, ease and quality will win the day.

There is no doubt that tech companies will deliver many exciting innovations, either on their own or in collaboration with carriers and brokers, some of which industry participants can't even conceive of right now. It may be something of a cliché to say every company is now a technology company, but in the workforce benefits space, it will be true in the near future.

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