

## From Product Provider to Strategic Partner: The Transformation Imperative for Benefits Carrier



**The group and voluntary benefits industry continues to evolve to meet the needs of plan sponsors/employers, and their employees. Overall, voluntary benefits sales grew 2 percent in 2024, while in-force premiums grew 6.1 percent to an all-time high of \$56.6B.<sup>1</sup> We expect both sales and in-force premiums to increase in 2025.**

For group and voluntary benefit carriers and providers, there are significant growth opportunities, but sustainable growth comes with its challenges. Overall, carriers and providers need to identify ways to differentiate themselves competitively in the market. In a market with similar benefit options, being price-competitive is not enough.

From an industry perspective, growth prospects for carriers are focused on two essential questions:

- 1 How can a carrier enhance an existing competitive capability or advantage and leverage it to improve market share?
- 2 What new products, services, or segments might a carrier pursue?

While there are many ways carriers and providers can pursue these strategies, three key growth areas stand out as opportunities for differentiation in the market:



<sup>1</sup> "Record Growth in Voluntary Benefits Sales," Martech Edge

## Emphasis on Employee Wellness Programs

Employers are increasingly focused on their employees' mental health. This is with good reason:

- Over 66% of employees experience some form of burnout.<sup>2</sup>
- Employees who are burnt out are nearly three times more likely to seek another job.<sup>3</sup> Training new employees is costly, and with the competition for talent and employee retention already a significant challenge, managing burnout is a valuable tool for employers to improve retention of key talent.
- Employees experiencing mental health challenges are not as productive, a key concern for employers. For example, unresolved depression can result in a 35% decrease in productivity.<sup>4</sup>

Holistic wellness programs are proven to build a more resilient and engaged workforce. For carriers and providers, this provides an opportunity to truly engage with plan sponsors and their employees in a more meaningful way. One way to provide value to employees while also reducing costs to employers is through incentivized reward plans.

Reward-driven plans can provide meaningful financial and non-financial benefits to employers. A common example is preventive care (e.g., an annual physical) that either reduces benefit deductions from payroll or results in a contribution to an HSA account. This is a good start, but carriers can provide employers and plan sponsors with additional benefits that promote better behavior. For example, employers could opt into reward plans for completing various exercise and health goals through gamification —the result being a healthier, more engaged workforce. This could be even further enhanced through enterprise-wide goals —if overall employee engagement reaches a particular milestone (e.g., collectively walking 1000 miles within a given timeframe), everyone receives a benefit (e.g., a reduction in benefit costs for the next enrollment period, or a paid mental health day off). Carriers and providers can use this information to help reduce employer costs while also minimizing benefit risk and potential claims.

## Data and Analytical Services

The benefits found in expanding to additional products highlight an additional growth opportunity for benefit providers —data and analytics services. Employers and plan sponsors need data-driven methods to manage their benefits:

- Brokers shopping for lower-cost plans can be limiting and reduce benefits in a race to the bottom.
- There is an inherent risk with continually transitioning employees from one benefit provider to another.
- Employers often struggle to understand their own data and insights. For example, employers may not know which benefits are being utilized, or even which benefits are important indicators of stress, a desire to leave, or which build retention.

A provider or carrier can leverage this as a revenue-generating opportunity by offering critical insights that help employers better manage their plans. One way to do this is by conducting a thorough review of historical benefits utilization and providing guidance on which benefits can be removed, and which may warrant further investment.

Another opportunity lies in providing key data points that impact employee productivity and retention. For example, are childcare and fertility benefits a key reason employees choose one employer over another? Which benefits are most used by high-performing employees, and how does that compare with lower-performing individuals?

Carriers and providers that help employers understand these insights can deliver real value and position themselves as strategic partners —not just benefit providers. They become collaborators offering visibility that employers might not be able to develop on their own.

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<sup>2</sup> "Job Burnout At 66% In 2025" Forbes

<sup>3</sup> "Burnout Statistics," Growthlister

<sup>4</sup> "Mental Health and Productivity," Science Direct

## Personalized Supplemental Benefits

For employers, it is impossible to accommodate every potential benefit scenario for all employees. Instead, they must rely on data and insights to provide as many benefits as possible within their projected costs. At the same time, employers (and insurance carriers/providers), need to meet employees where they are —based on their unique life circumstances and needs.

Moving forward, we expect carriers and providers to provide individualized benefits, driven by technology. This opportunity shifts voluntary benefits from a product-centric onboarding and enrollment experience to a customer-driven one. To do this, carriers must meet three key requirements.

01

They must understand customer needs and requirements and have the right products in place.

02

They need to offer benefit explanations in a way that is clear and easy to understand.

03

They must move from singular enrollment opportunities to situational enrollment.

Individualized enrollment cases also provide carriers a potential revenue stream: active lead development. While group benefit providers can currently partner with individual line distributors, understanding an employee's needs can identify specific coverage and gaps that individual agents or financial advisors may be able to address. Such partnerships would require employer opt-in, but unparalleled access to this data would be invaluable to the right distributors.

Carriers will want to pursue these growth opportunities and more, but there are often reasons why they have been unable to achieve the results they are looking for. In our research, we have identified six key challenges that group, and voluntary benefit providers must overcome to both differentiate themselves in the market and position themselves for sustainable growth:

1

### Product-Line Driven Processes and Support

Most voluntary and group benefit providers and carriers have evolved their organization based upon specific lines of business or products —either organically through internal development or inorganically through acquisition. This contributes to highly labor-intensive processes, limited use cases for process improvement, and heavy reliance on disparate technology platforms. For example, even if a carrier even uses a CRM, they may not have an integrated, enterprise-wide platform across all products to track performance and interactions at the customer level. Instead, they rely heavily on tools and technology that are limited to the line of business. This restricts a carrier's ability to cross-sell in the near term and to provide personalized opportunities to employees.

2

### Difficult Enrollment Process

The enrollment process for plan sponsors and employees is often not designed with the end user in mind. Specifically, common pain points include a) a poor explanation of benefits to employers and employees; b) lack of integration in customer data across product lines; and c) internal process challenges that make both the RFP and enrollment processes onerous. Together, these issues create a negative customer experience, limiting growth prospects for carriers and providers and impacting adoption metrics.

3

### Claims Administration Complexity

Benefit providers and carriers face a twofold challenge in their claims administration. First, the volume and complexity of claims are increasing within each product line. As a provider scales a particular line of business and expands their coverage, resolving claims efficiently becomes a key challenge. This is further complicated by product expansion, which multiplies processes and highlights the lack of integration across offerings — typically resulting in highly manual workflows and labor-intensive operations, placing additional pressure on margins.

4

### Rising Costs of Benefits

Employers and plan sponsors face increasing pressure to maintain attractive group and voluntary benefits — which are critical for retaining talent — while also managing costs. Although there is a potential for employers to pass along some of the costs associated with these benefits to employees, most employers are hesitant to do so. This leads employers to shop for more competitive benefit providers, creating retention challenges for carriers.

5

### Difficult Data Management

All carriers and providers are evaluating opportunities for AI within their businesses. The transformative aspects of AI will fundamentally change how the benefits space will work. But a key inhibitor in the race to use AI is the management of data. This begins with a comprehensive data strategy and governance model — especially as regulators begin to define what data can be used as inputs for AI models. In addition to legal and regulatory challenges, infrastructure challenges make it difficult to harness and analyze the vast data pools providers hold. Understanding what data matters and how to turn it into actionable insight — will be a critical challenge.

6

### Competition For Talent

Underpinning all growth efforts is the need for enterprise-wide talent to enable success. As carriers strive for sustainable growth, they will need to assess their current capabilities and understand the gap between where they are and where they strive to be. For example, as the complexity of claims increases, do they have the claims personnel to handle increasing complexity without sacrificing service quality? Do they have the expertise to implement AI solutions across the enterprise? And if so, how do they retain that talent amid fierce industry competition?

Overcoming these challenges is not easy. But solving these critical issues enable success and sustainable growth for the future. Carriers and providers that view these challenges as opportunities will be able to differentiate themselves in the market.

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