Insights and Takeaways from the LIMRA Study

It's something of a cliché to say this industry is changing or the economy is evolving in a new way. Change is the one thing all of us can be sure of.

The important question is how exactly is your industry changing? For insurance brokers, knowing the nature of the change, and how you can respond to the emerging trends and needs of clients, is key to growing your business.

The LIMRA study: A crucial insight

In September 2017, LIMRA conducted a survey of 1,497 private employers who had been in business for a minimum of three years and had at least 10 employees.

The goal of this survey was to ascertain the latest trends, penetration rates for employee benefits, and retirement and savings plans. Among the findings were valuable insights into the changing employer attitudes toward benefits, particularly the benefits that can be used to attract and retain talent.

As the employee benefits market faces changing demographics, rising healthcare costs and other challenges, this study contains valuable information brokers will want to consult in order to keep their business flexible and strong.

The current benefits landscape

The report opens by noting that employers continue to shift costs to employees. This is partially a result of companies tightening their belt after the 2008 recession, but even as the economy continues to rebound, employers hold the same hesitation toward offering benefits.

Despite economic growth, the number of employers offering insurance benefits has not significantly changed since 2013. In fact, employers have started to offer fewer benefits than they did three years ago.

Factors you need to be aware of

The economy has been on an upward swing for several years, unemployment is at a near record low, yet employers are cautious. They hesitate when it comes to investing more in their employee benefits plan.

Why is this?

One reason is that with the additional costs brought on by the Affordable Care Act (ACA), employers have sought to shift costs around by offering fewer benefits such as life and dental. Particularly, employers with fewer than 50 employees are less likely to contribute to additional benefits they offer, whether it's dental, vision, life or any other perk.

Only three in 10 employers offer at least one benefit on a 100 percent employee-paid basis. Overall, for all employers, this hasn't changed much since 2009, but employers with 50-99 employees are actively decreasing how much they contribute to the benefits they offer.

Another reason for this hesitation is that demographics are changing. More employers are using a workforce composed of part-time, remote and contract workers. The so-called gig economy, characterized by short-term contracts and freelance work rather than full-time employment, is soon projected to include 40 percent of the U.S. workforce.

Despite this change, employers continue to limit the benefits they offer to traditional, full-time employees.

Taken together, these factors ---- the reverberations from the 2008 recession, the need to shift costs and changing workplace demographics ---- contribute to the lack of visible growth in the employee benefits market.

Voluntary Benefits Insights

A gap in coverage

With the cost of healthcare continuing to rise, most employers continue to view strong health insurance plans as the single most important benefit to attract employees.

However, this focus on offering medical insurance has caused many to neglect other benefits that could very well attract and maintain talent. Some of the traditional core benefits, such as life insurance, prescription drug coverage and and short- and long-term disability, are perceived as less important offerings.

Only one in 10 employers who offer insurance benefits plans to definitely add an additional benefit in the next 18 months. Another two in 10 employers may be adding at least one benefit in the near future.

These numbers have not substantially changed since 2014.

The question, then, is: What to do with this research and how to better work with employers to ensure their workers receive better coverage?

Take this opportunity

We've mentioned that unemployment is at an all-time low, which is generally taken as good news.

That is, unless you're an employer and you need to recruit talent.

Recruiting talent, whether it's part-time, full-time or through short-term contracts, is a challenge many employers face.

Rather than think of employers as mere "access points" through which brokers can reach a market containing a number of potential customers and beneficiaries, brokers ought to create a partnership with employers.

The idea here is to be more consultative. Have engaged conversations on how voluntary benefits complement major medical coverage and fill gaps in employees' plans; for instance, how can voluntary critical illness or accident coverage help in implementing or modifying a high-deductible major medical plan?

It's all about changing perception. Voluntary benefits are more than just a product to tack on to a benefits package. By engaging in meaningful dialogue, employers can be convinced that offering voluntary benefits is good for their employees and good for their business.

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