

2025 ENROLLMENT TECHNOLOGY STRATEGY SEMINAR

The Future is Now:

Distribution Trends in Workplace Benefits



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Why Discuss this Here?

Carrier Strategy in the Changing Marketplace

Distribution Trends

Digital Transformation

Moving Forward

The Changing Face of Distribution

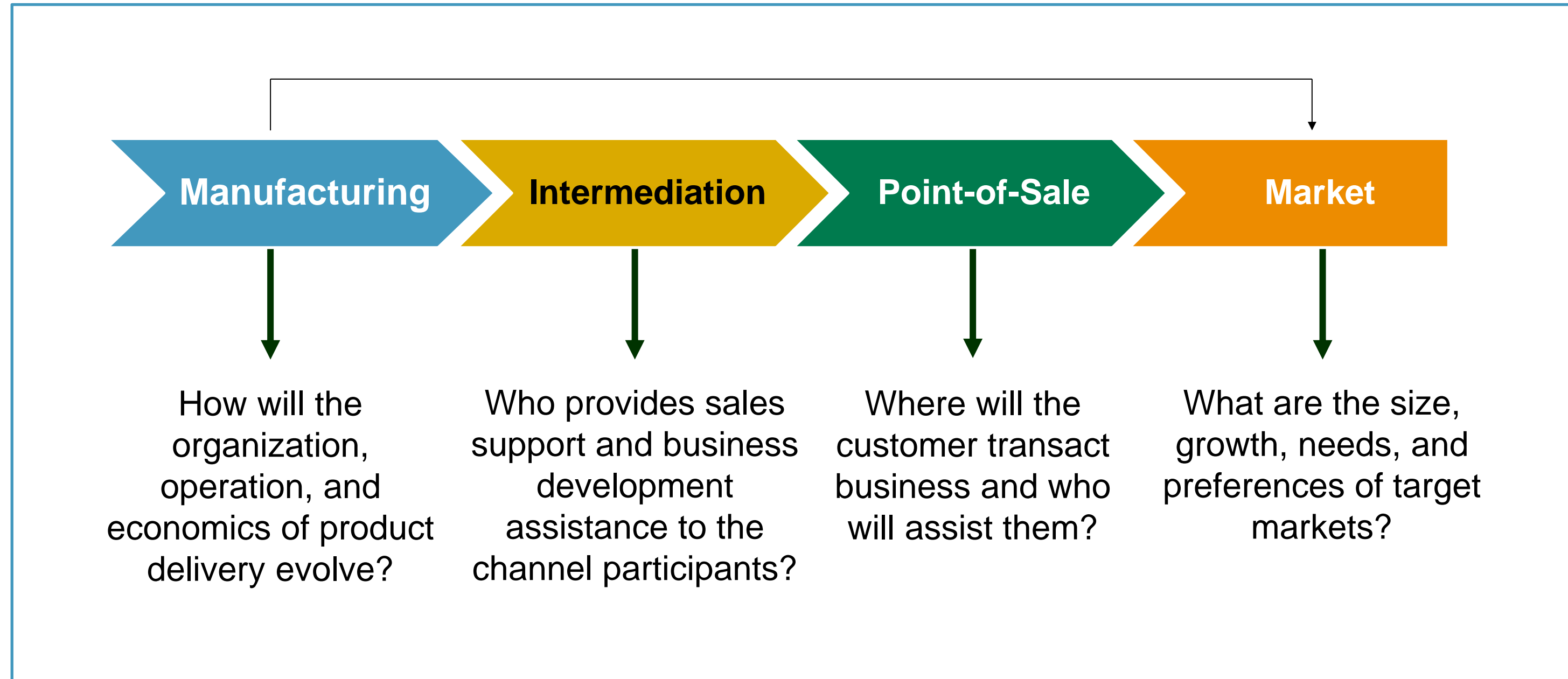
While brokers will continue to drive workplace distribution, market forces are reimagining that relationship while other players in the ecosystem exert strength and authority.

The Future Is Now
Workplace Benefits Distribution Amid a Changing Landscape
LIMRA 2025



Distribution Defined

For our purposes, distribution is the delivery of a product *and* service in a manner consistent with the company's strategy and the preferences of its target markets.



Labor Force Trends

- Continued strong labor market.
- Labor force participation rate is increasing, particularly among prime-age workers (25-54).
- Since 2020, the percentage of foreign-born workers has grown 19.8 percent.
- Non-traditional work models are gaining traction.
- Women's employment has seen broad improvement.
- We are at a generational tipping point.



Is Distribution Ripe for Disruption?

1/2

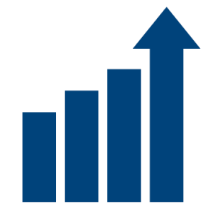
- Only about half of employers offer a comprehensive suite of benefits covering insurance and retirement needs.



- Market penetration of specific insurance benefits and participation rates have been flat.



- According to LIMRA's Financial Wellness Index™, the average American worker scores just 4.95 on a 0 to 10 scale.

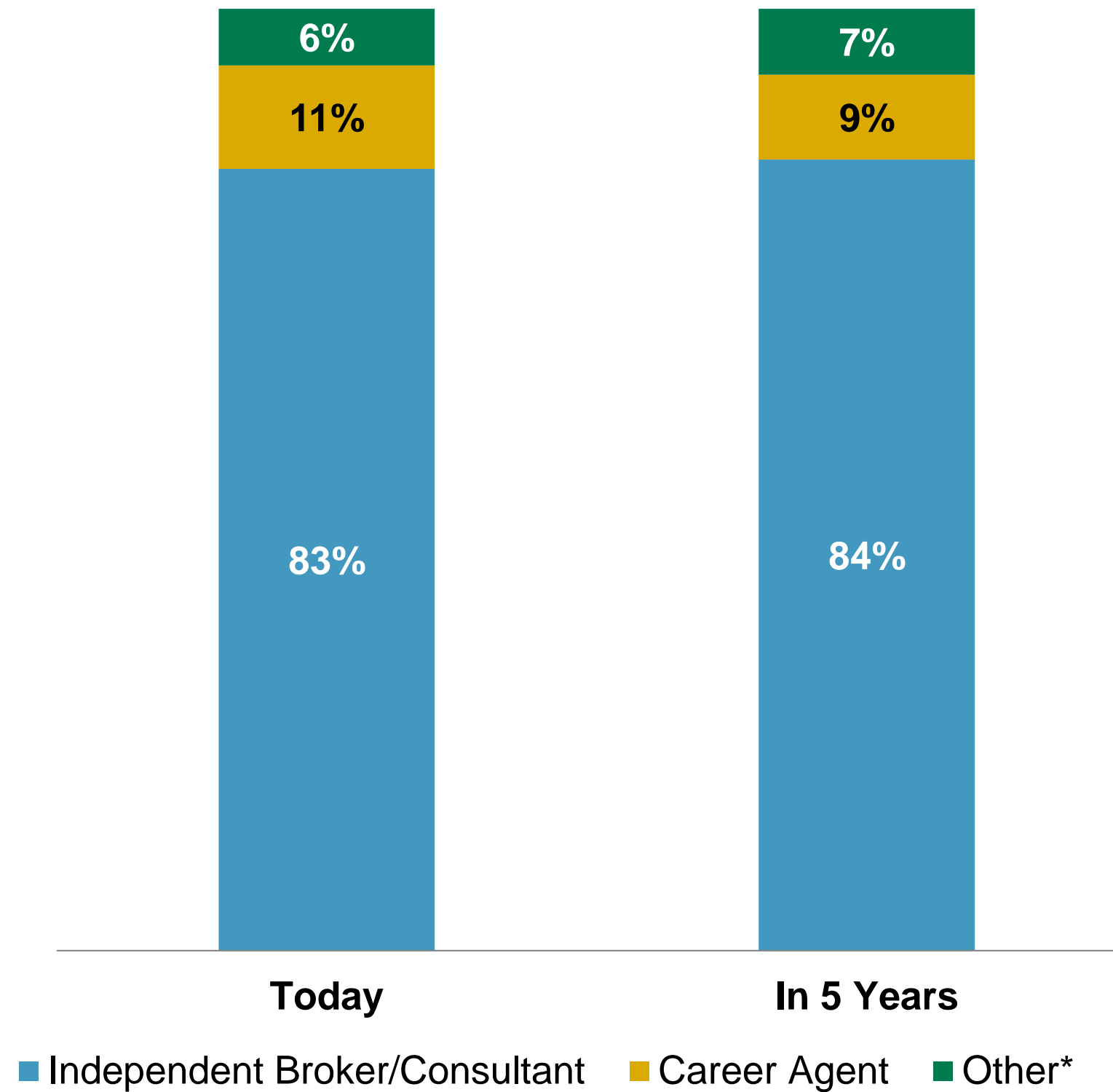


- A record-high number of American adults (42%) say they need (or need more) life insurance.



- Benefits awareness and education continue to be issues.

Brokers Will Remain the Backbone of Carrier Distribution Strategy



*Other includes direct-to-employer, PEOs, and association business.



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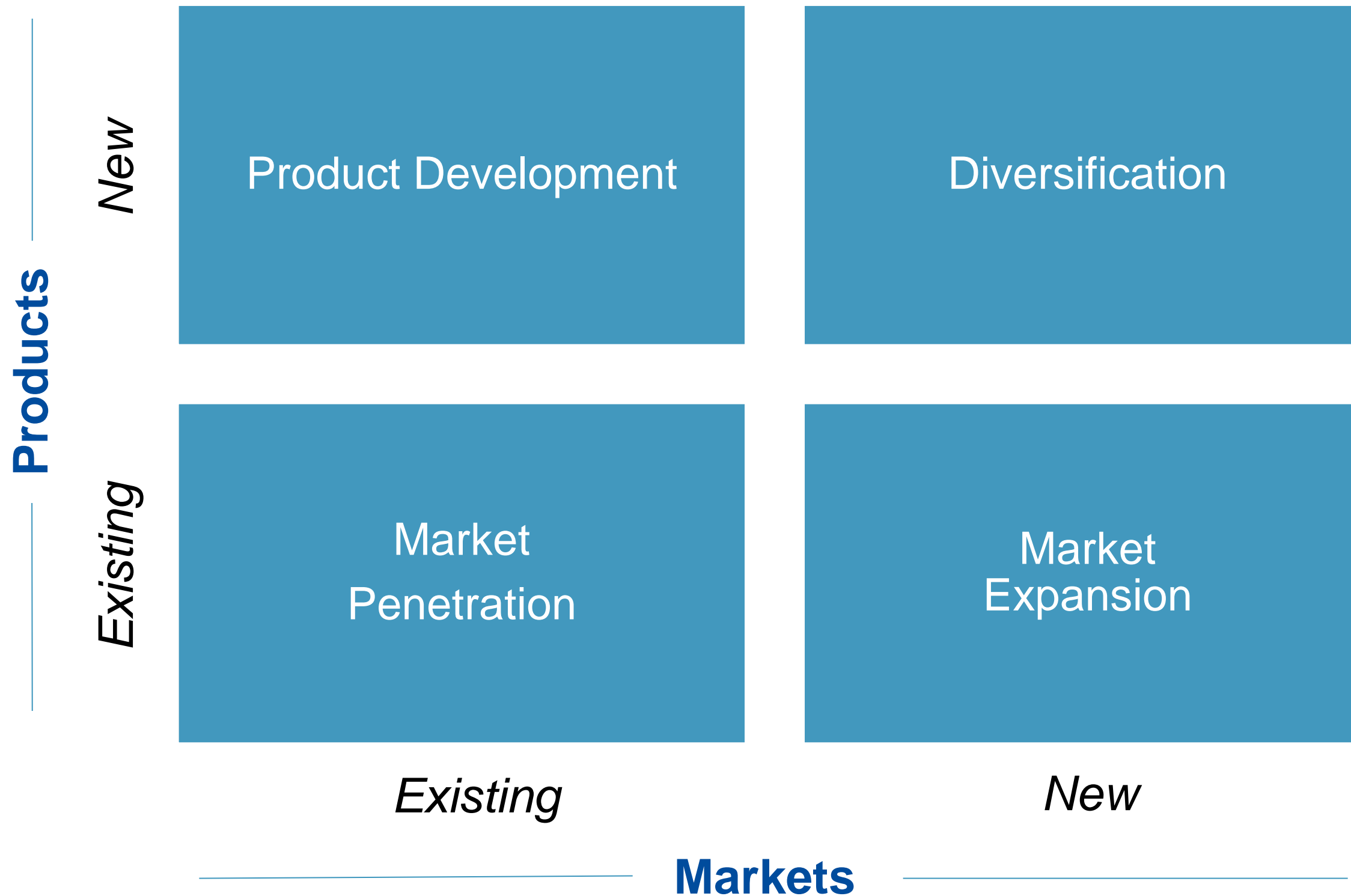
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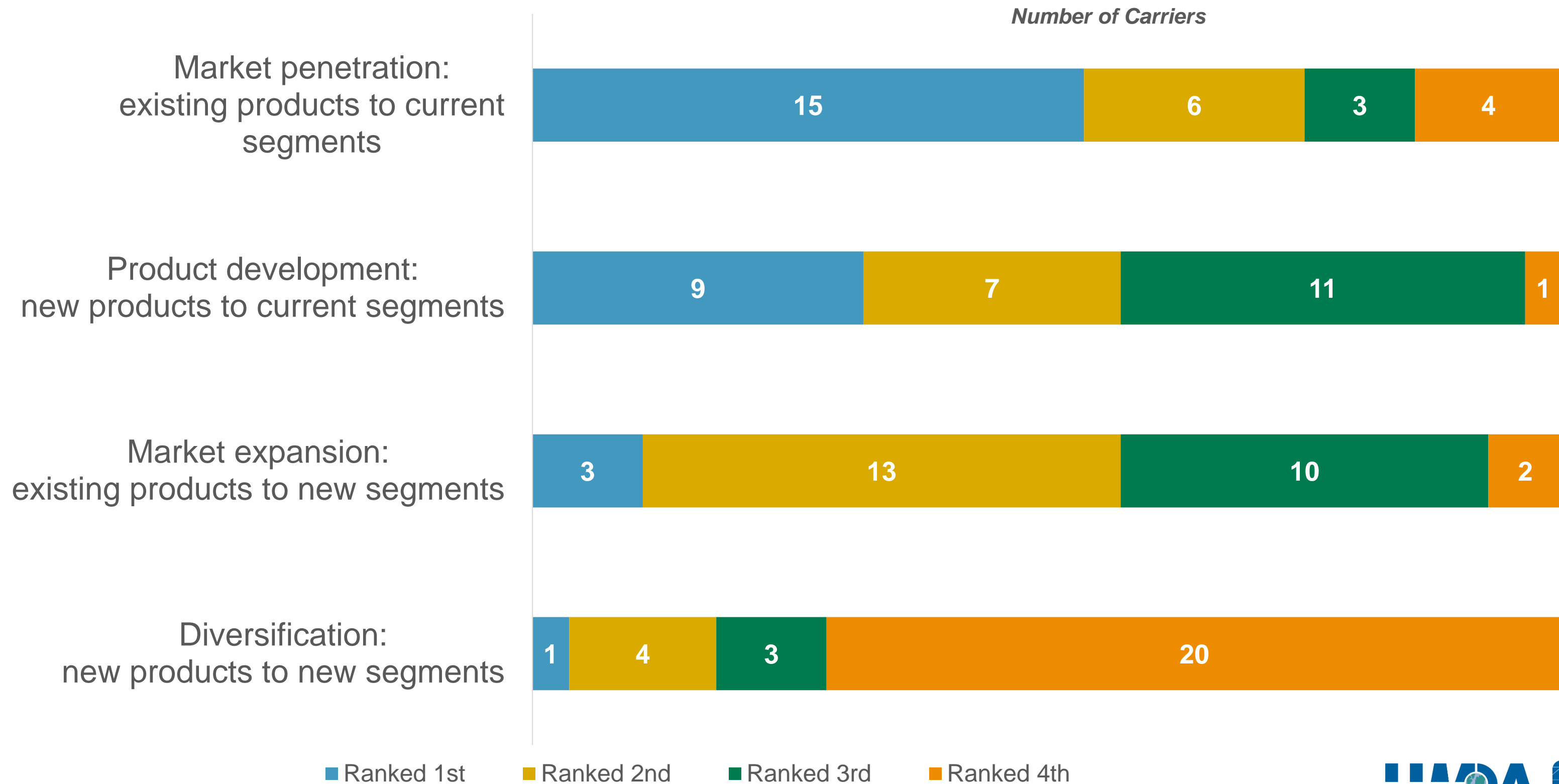
Digital Transformation

Moving Forward

Strategy: Drivers of Growth



Strategy: Opportunities for Profitable Growth

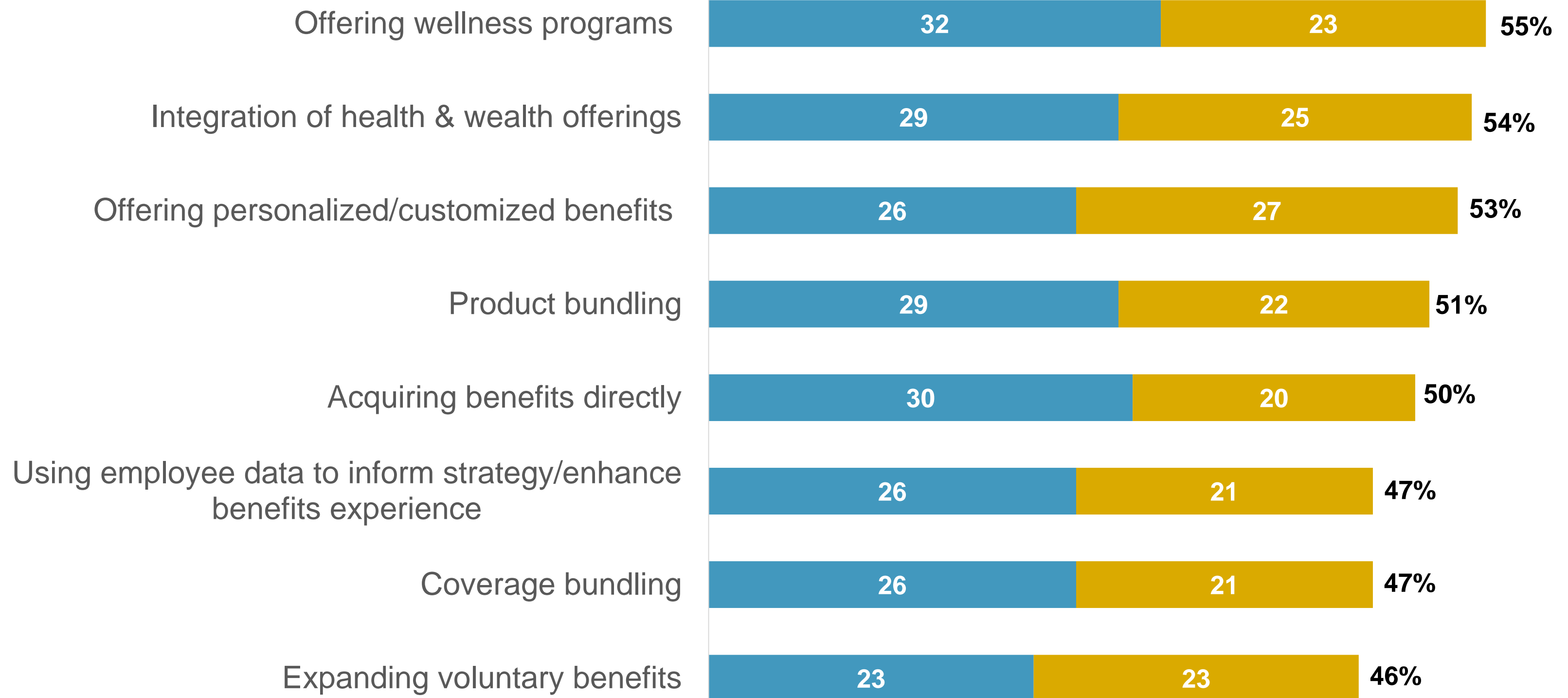


Carrier Growth Strategies (Next 5 Years)

	Avg. Rating 7-Point Scale
Use of data and analytics	5.7
Expanding voluntary benefits	5.5
Product bundling <i>i.e., same carrier offers 2 distinct products/services together</i>	5.4
Claims integration	5.1
New market expansion	4.9
Offering wellness solutions <i>(financial, mental, physical)</i>	4.2
Partnerships with non-insurance providers	3.9
Offering ancillary services <i>e.g., beneficiary services with life insurance</i>	3.8
New points-of-access <i>e.g., gig/freelance workers, PEOs, associations</i>	3.6
Coverage bundling <i>i.e., one product addressing multiple needs</i>	3.5
Integration of health & wealth offerings	3.4
Direct-to-employer	2.3

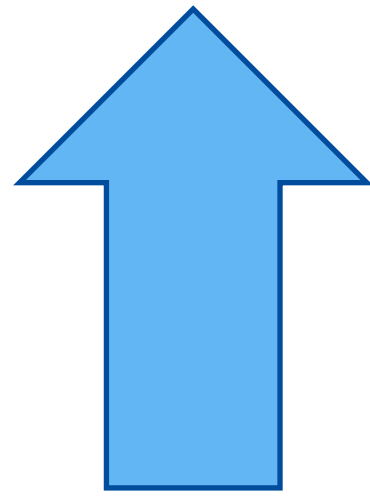
Most Impactful Factors on Benefit Programs *(Next 5 Years)*

Percent of Employers



■ Six ■ Seven

Some Apparent Disconnects Emerge



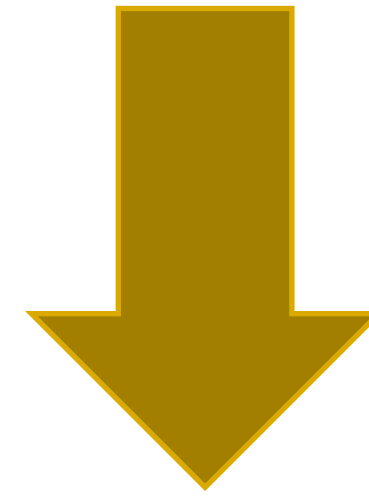
Employers **More** Focused on:

Wellness Programs

Integration of Health & Wealth Offerings

Acquiring Benefits Directly

Coverage Bundling



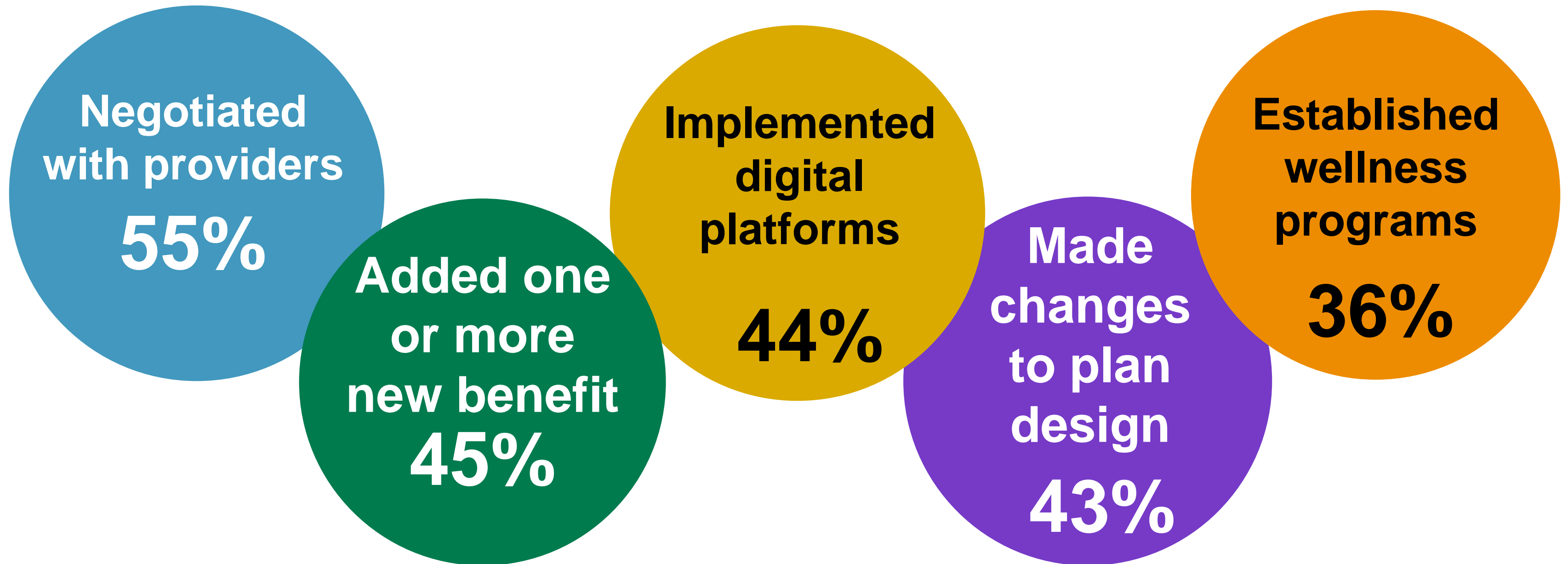
Employers **Less** Focused on:

Data and Analytics

Expanding Voluntary Offerings

Top Employer Actions to Manage Benefits Programs *(Past 2 Years)*

Percent of Employers



Factors Influencing Employers' Benefits Strategy

Percent of Employers *(Rating 6/7 on a 7-point scale)*

71%
Cost of
benefits

69%
Ability to
attract &
retain workers

61%
Data privacy/
cyber
concerns

55%
Regulatory
&
Compliance

54%
Diversity of
worker
needs

52%
Limited HR staff
to manage
program

Value Chain Investments to Support Distribution

100 Point allocation

TODAY

IN 5 YEARS

- Product development
- New business / underwriting
- Investments

- Claims
- Marketing
- Other

- Sales tools & RFPs
- Communication & education

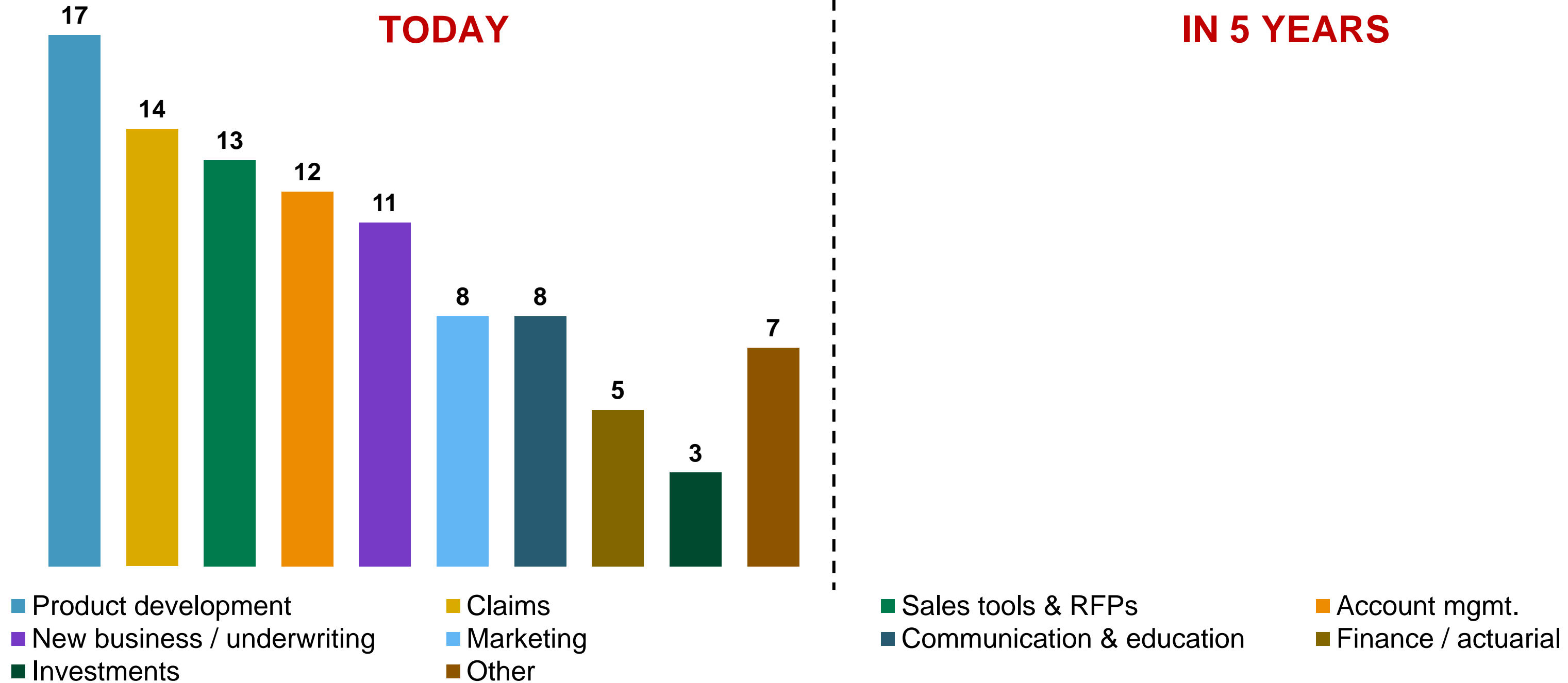
- Account mgmt.
- Finance / actuarial

Value Chain Investments to Support Distribution

100 Point allocation

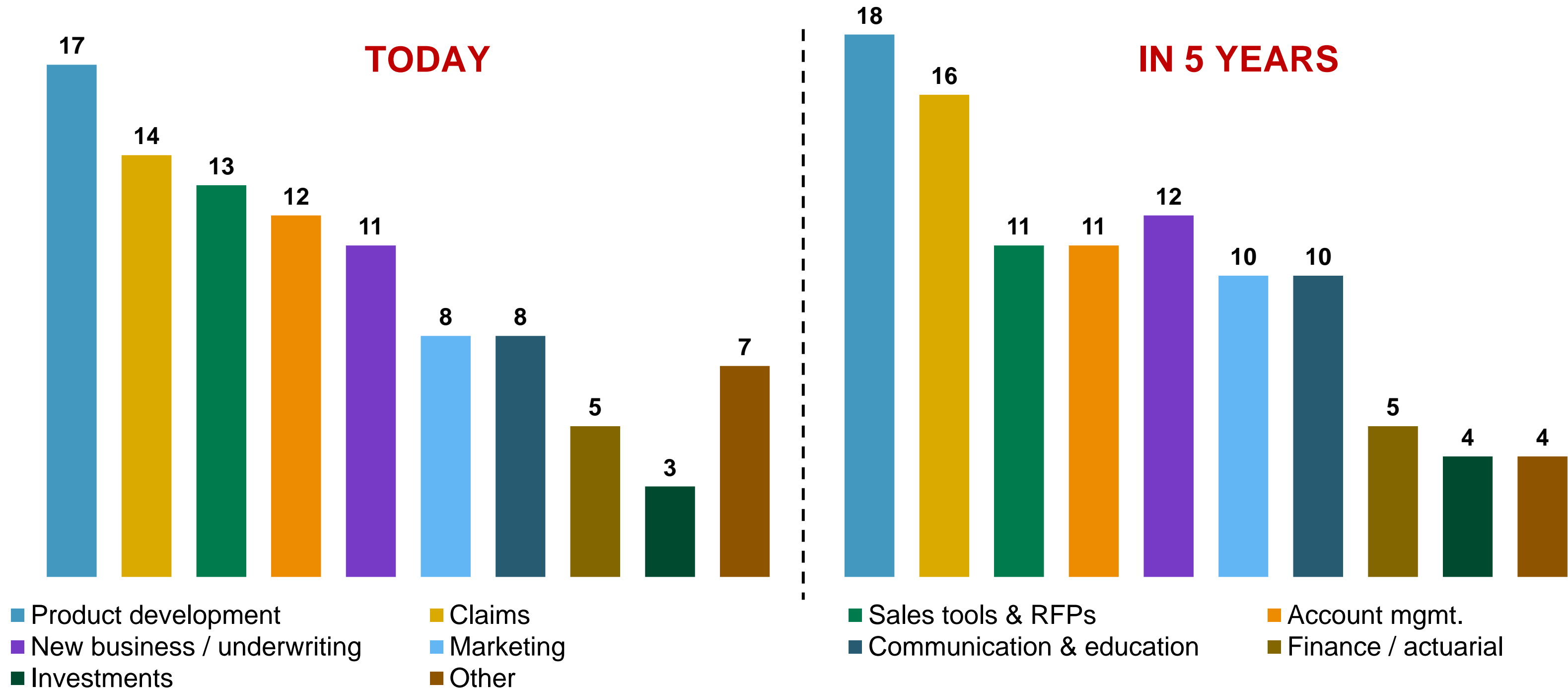
TODAY

IN 5 YEARS



Value Chain Investments to Support Distribution

100 Point allocation



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Changing World Of Distribution

Other emerging distribution options?

21 carriers cite the influence of technology firms in the ecosystem as having a significant impact on their distribution strategies.

17 carriers cite industry consolidation as having a significant impact on their distribution strategies.

Broker's Perspective

“...we are going to get into different markets that are non-traditional employer/employee relationships, gig economy, and association-based. **Access points are going to be a little bit different.** The buyer is changing.”



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Benefits Broker Evolution

PRODUCT FOCUSED

- Selling
- Specific Product
- “Spreadsheets”
- Tech Supported



SERVICE FOCUSED

- Benefits Planning
- Value-added Advice
- Holistic Offerings
- Tech Enabled



LOWER
Perceived Value

HIGHER
Perceived Value

Key Themes Expressed by Brokers

Clients

- Clients are more demanding and focused on economic value.
- Remote work has been pretty much solved.
- Clients are expressing a need for broader support services beyond traditional offerings.

Carriers

- While there are pockets of success, as a group, carriers are behind on delivering meaningful value.
- A call for innovation, particularly around Cx.
- Streamline and simplify all aspects of the business.



A Service-First Mindset: What Brokers Value

75%

of carriers cite sales capacity as having a significant impact on their distribution strategy.

Brokers' Perspectives

“As simple as this sounds, **good communication**. I’ve dealt with a lot of carriers over my time, and the ones that communicate well and frequently enough are the ones that we end up having a great partnership with, that yields business for both sides.”

“**Picking up my phone call**. I’m not even joking on that....so just having emails back and forth does not generally help...having someone that is actually going to pick up the phone and let me be able to tell the client what the next step is going to be.”



“When I call, **they answer**.”

“The most critical thing, I would say bar none, is just **backing up what you say**. ...More than the cost of certain things or how pretty whatever marketing material is, it’s actually being able to set up things when you say that you are going to.”

Differentiation: Future Carrier Investments

Brokers' Recommendations

Invest More/Lean in	Invest Less/Reallocate
Data and analytics Sales and service support Platform partnerships Implementation support Real-time quoting	Recognition and Rewards (SWAG) Generic email communications Lengthy symposiums Entertainment

“You have to get your administrative house in order. Part of that is we need to be investing in systems. You have carriers out there that for their portfolio of products, they are on three or four different internal admin platforms. ...You just have to invest.”

“There is this race to zero with the premiums. You (the carriers) are differentiating yourself with cost but that overall employee experience... is becoming even more of a differentiating factor.”

The Need for Product Innovation

30% of employers eliminated underutilized or ineffective benefits over the past two years.

Brokers' Perspectives

“We are selling products today that were built in the sixties, seventies and eighties ... We haven't had a fundamental new product or new addition for decades. **That's scary, right?**”

“While distribution is very important, service delivery, product development, **innovation and technology** wins the day.”



“It sounds terrible, but **I haven't seen a lot of innovation.** I feel like a lot of the carriers are kind of waiting to see what an employee in 2024 wants. Kind of post-pandemic, what are they looking for? Not a lot of change there.”

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Technology's Footprint Continues to Expand/Evolve

Personalization, technology, and affordability: The future of employee benefits

NEWS

Benefits Leaders Are Optimistic About AI's Potential, But Knowledge Lags

How APIs are reshaping the insurance business

Insurance companies can now integrate applications and create new services more easily than was possible before.

Will AI Benefit or Harm Workers?

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Sources:

<https://www.benefitspro.com/2024/08/26/personalization-technology-and-affordability-the-future-of-employee-benefits/>
<https://www.shrm.org/topics-tools/news/benefits-compensation/ai-potential-concerns-employee-benefits-employers-healthequity>
<https://www.propertycasualty360.com/2024/07/25/how-apis-are-reshaping-the-insurance-business>
<https://www.americanprogress.org/article/will-ai-benefit-or-harm-workers/>

Ample Room for Development

68% of carriers cite new technologies (AI, machine learning, etc.) as having an extreme or major impact on their distribution-focused technology investments in the next five years.

Brokers' Perspectives

“For a couple of years now, two of the three [carriers] that I keep mentioning, they’ve been **using data**. They are using unique ways of AI to increase the utilization of the product. So that’s a big piece. **We love that type of stuff.**”

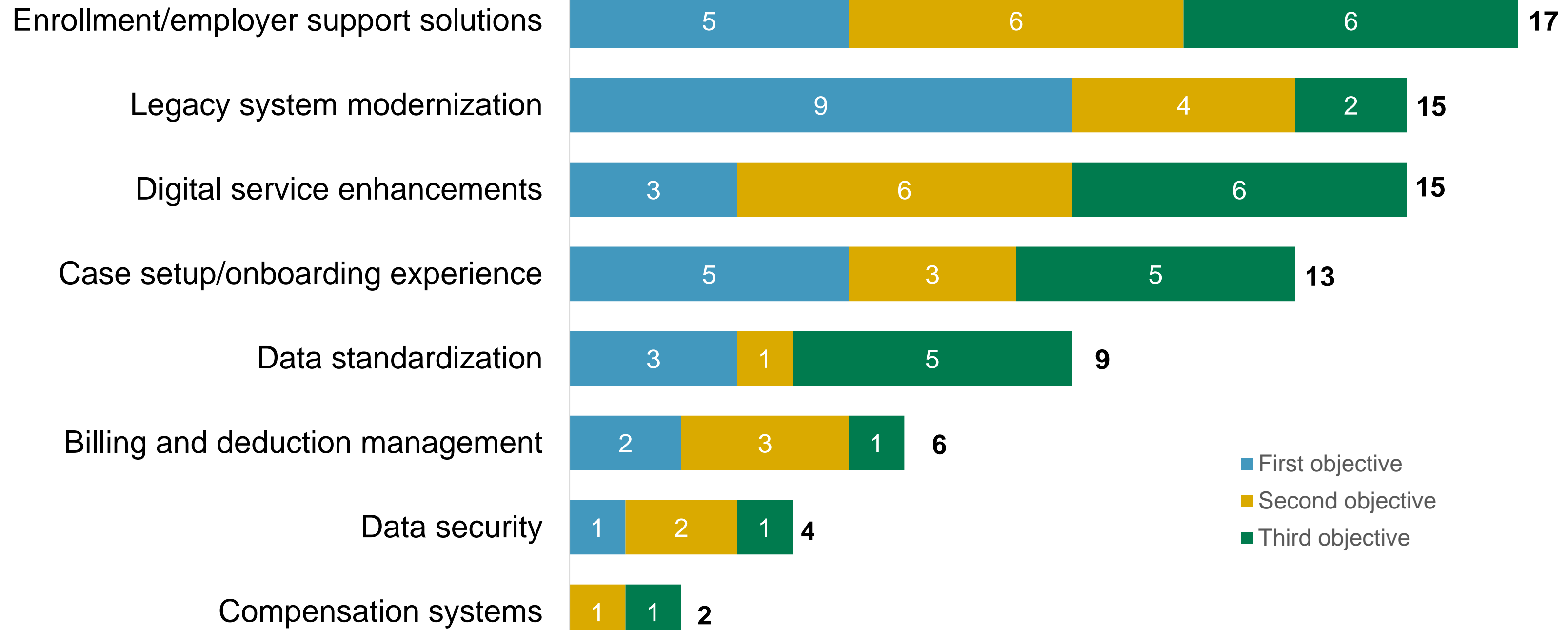
“**API is a big one.** When you are talking to a client or a prospect, I would say that is pretty attractive. There are no files that need to be exchanged. It goes right to the cloud. It’s a great selling point to someone like me in my position.”



“I still think we are missing a large piece of how technology and insurance work together. It’s still a dotted line. **There is still a huge room for improvement.** We are not lacking options, but we are lacking practicality in value.”

Objectives of Distribution Technology Investments

Number of Carriers



■ First objective
 ■ Second objective
 ■ Third objective

Distribution Technology Investments Will Shift

100 Point allocation

TODAY

IN 5 YEARS

- Core/legacy system replacement
- API / integrations
- AI (e.g., machine learning, etc.)

- Business process automation
- Administration support (e.g., BenTech fees)
- Third-party data (e.g., medical claims, etc.)

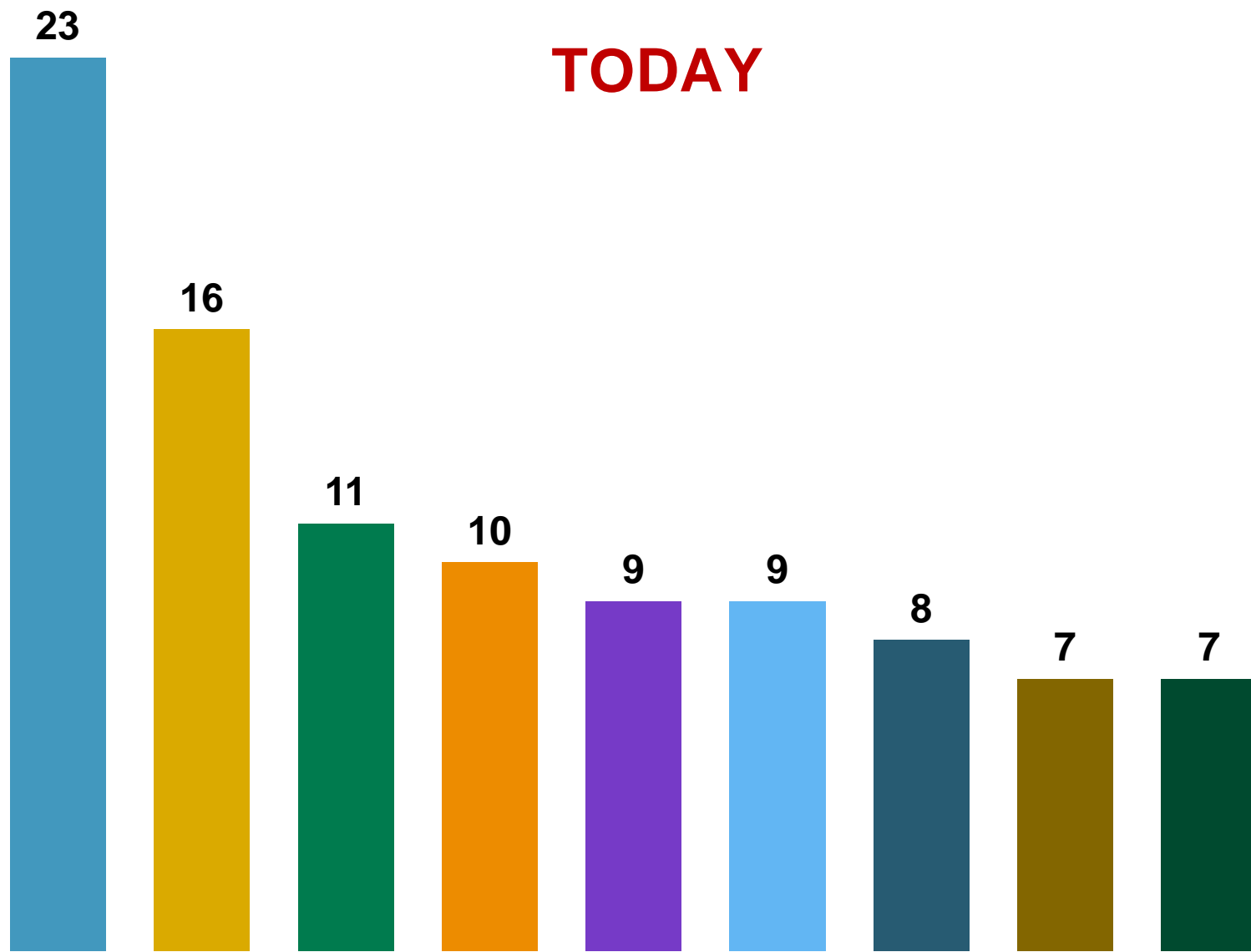
- Sales support
- Contact management
- Cloud

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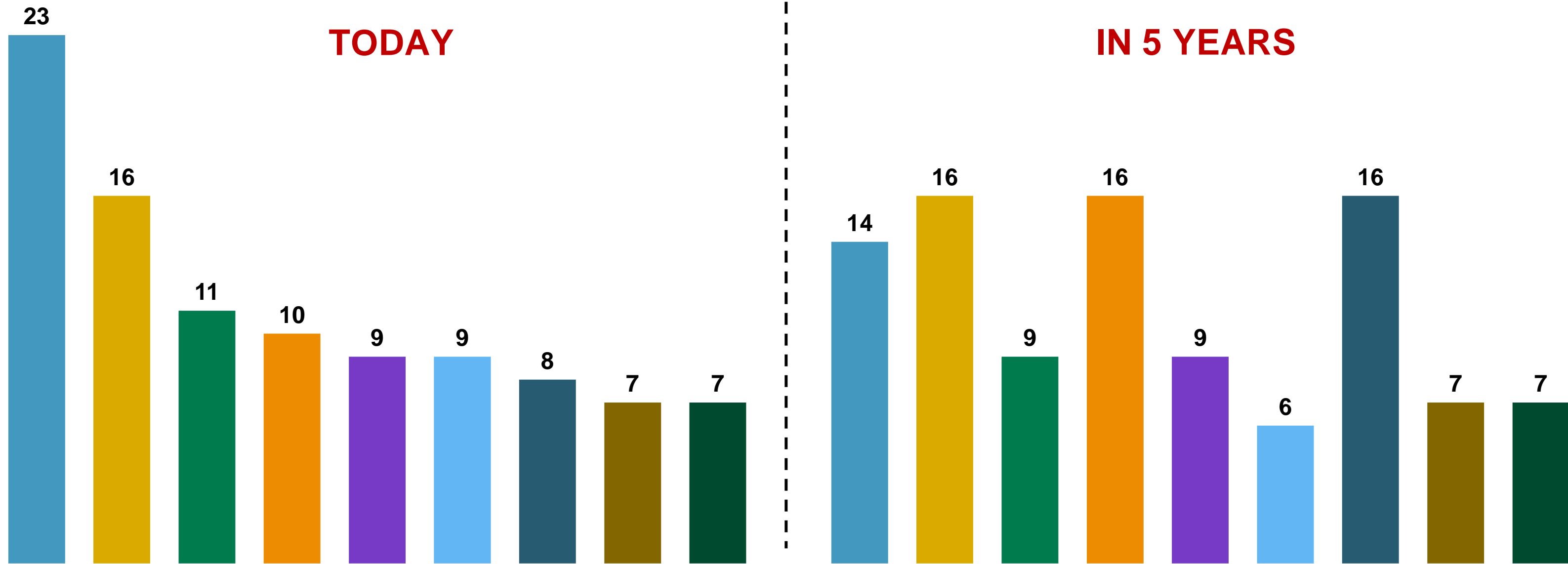
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Top Dist. Technology Investment Considerations *(Next 5 Years)*

Percent of Carriers *(Rating 4/5 on a 5-point scale)*

68%
New
technologies

56%
Data/cyber
security threats

51%
Changing
consumer
expectations/
needs

44%
Administrative
efficiencies

Influence of Technology Credits

57% of carriers cite technology credits and related fees as having a significant impact* on their distribution strategy.

Brokers' Perspectives

“...I think it's a money grab... When I look at some of the price tags, it couldn't possibly cost that much money to build an accident plan or a legal plan on your enrollment system. I just think some of those invoices they like to throw out there are very inflated.”

“I do think if you have any type of plan changes, those credits, those subsidies, are pretty crucial...this [benefit] is only as good as the employee, the end user, understands it and uses it. So as far as rolling out and change management, we heavily rely on those credits, both myself, the broker, and the employer.”

“I wish all the states would just say, ‘You can't do anything. No more tech credits.’ That would make life way easier for everybody.”



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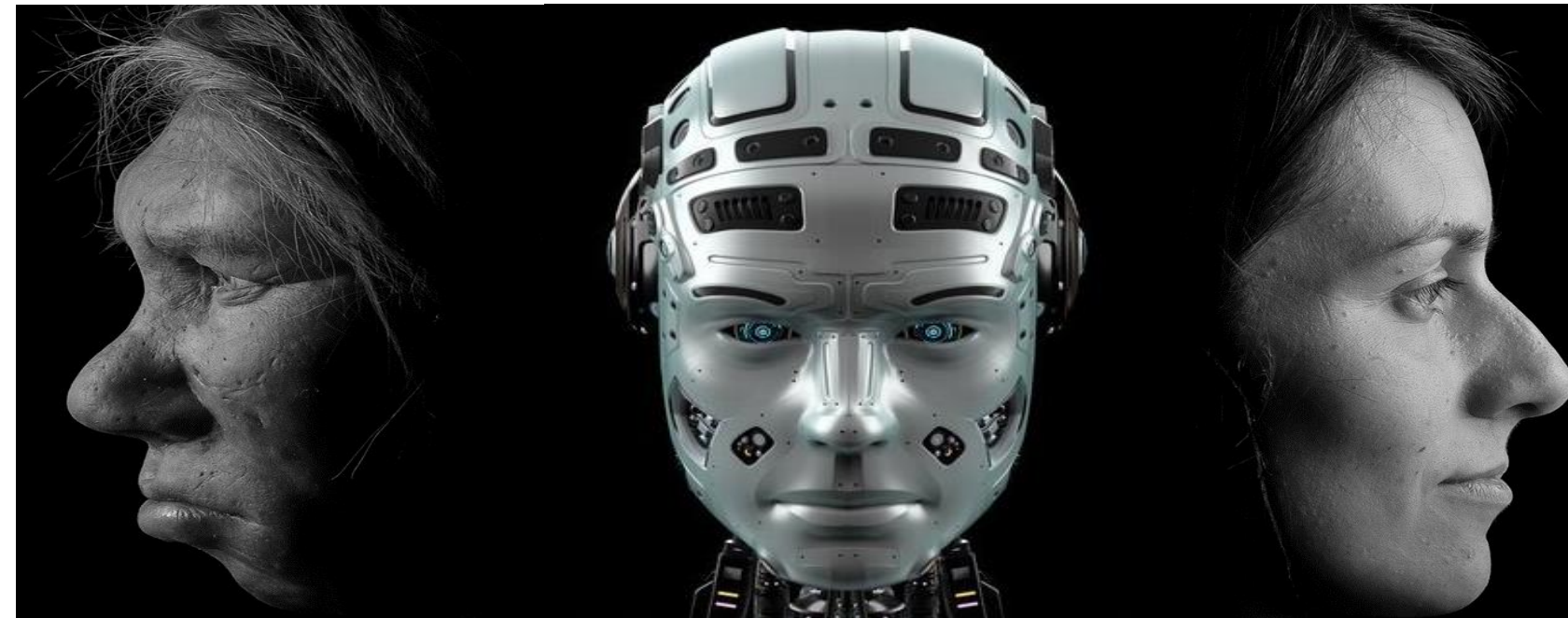
The AI Revolution Is a Human Change

AI and Robots are thinking machines that try to feel

Humans are feeling machines that try to think

The hardest skills are the softest skills

AI may replace certain job functions, but the uniquely human qualities of leadership, empathy, creativity, and complex problem-solving will remain irreplaceable. Leadership, ethics, morals, values, sound judgement, communication, collaboration, community-building, organizing, etc. are inherent human qualities that cannot easily be automated.



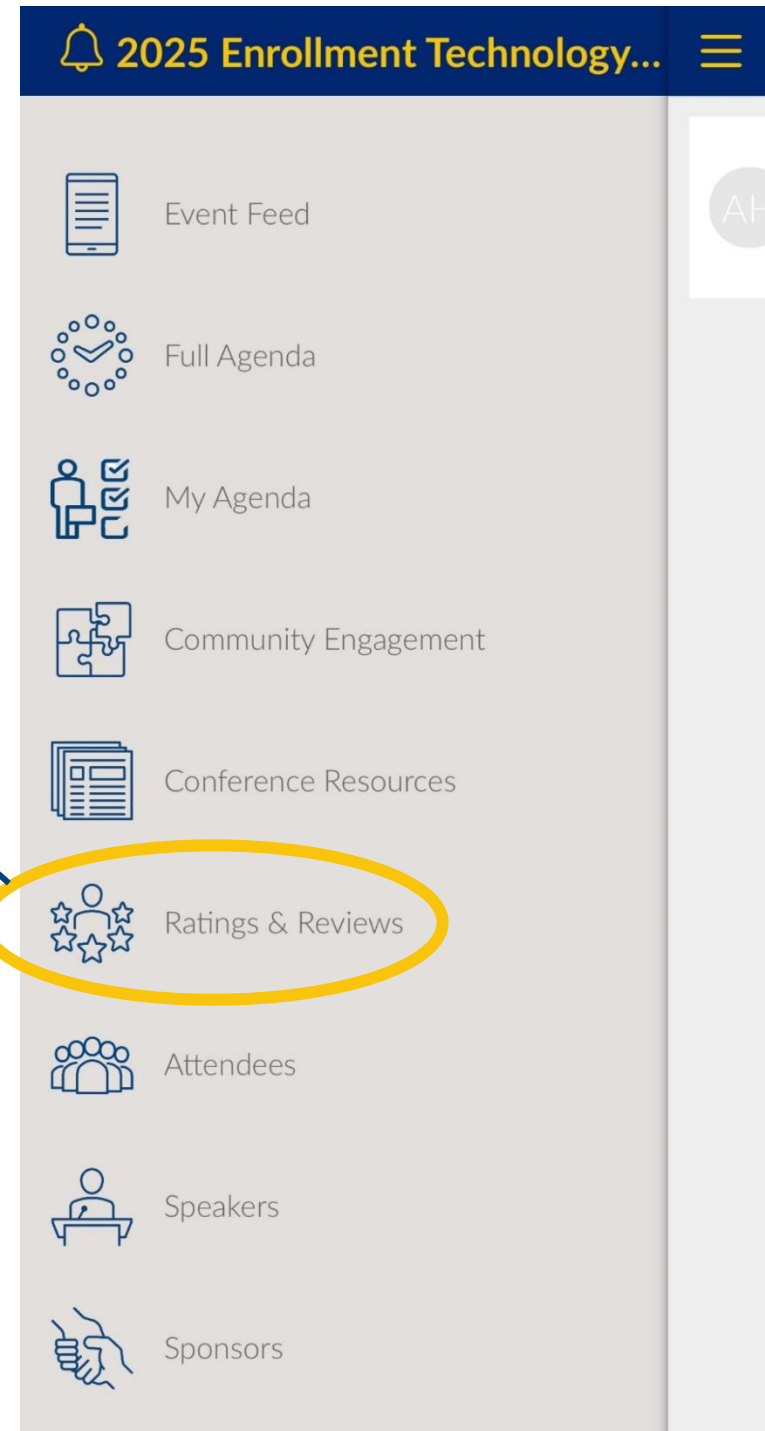
Striking a Balance

“You can’t lose the people. You can’t lose that people connectivity. You can automate all the tactical crap that you want, and that is fabulous, as long as all that works right. But if you sever that human tie, eventually all the other stuff won’t matter, because that is where the rubber meets the road.”

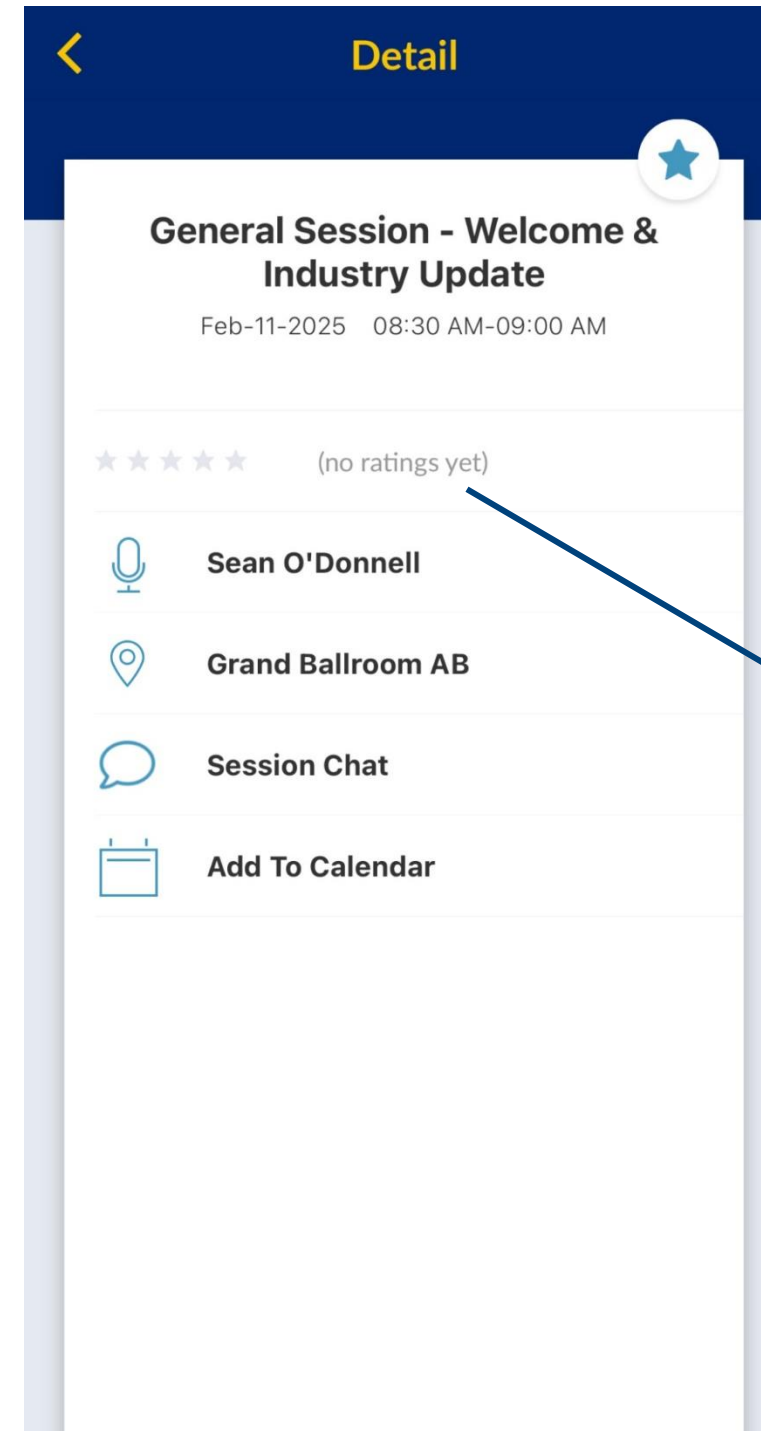


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