

Employee Benefits: Broker Evolution

INTRODUCTION

Employee benefits brokers have been an integral part of the employee benefits ecosystem for almost as long as the industry itself. It should come as no surprise that they have also been affected by the digital disruption that has become an ongoing market force since the start of the pandemic. Employers and insurers have embraced more cost-effective virtual enrollment technologies and increased their use of artificial intelligence for enrollment, claims processing, and general technical support and guidance. As a result, brokers have had to reinvent themselves to stay relevant, namely by moving away from pure sales-oriented approaches to more benefits consulting roles. In this Insight, we'll examine how insurance brokers have been turning to data and analytics, as well as more customized products to enhance their advisory services, to become a very different, but equally valuable industry asset.

BROKER BASICS

Traditionally, brokers have played an important role in educating employers and employees about the value and features of employee benefits products and services. With the advent of cost-effective collaboration and enrollment technology and the realities of the pandemic, companies have had less of a need for human brokers to continue in their traditional, in-person roles throughout the enrollment process. A recent study on workforce trends revealed that even prior to the pandemic, 60% of companies had used self-service benefits enrollment, and 84% reported the process as "very or extremely effective."¹ Nearly half of small businesses with less than 100 employees and the majority of larger businesses expect to purchase employee benefits, particularly more simple types of benefits, directly and without brokers in the future using self-service portals and digital marketplaces.

Employers and brokers recognize that the role of brokers must evolve to keep up with the industry's changing needs. According to a recent LIMRA/EY workforce benefits study, employers across all market segments still value brokers, with most reporting that they are "very" or "extremely" satisfied with their brokers' services.² With their specialized knowledge of insurance regulations and new and evolving types of benefits, brokers continue to play a critical role in helping employers tailor their benefit offerings to best meet the needs of their employees and their companies.

BROKERS' NEW NORMAL

With access to customer data as well as their preexisting customer relationships, brokers need to continue to increase their technology and analytics expertise to pivot to more advisory-oriented roles for their employer clients. This need for technology and analytics expertise and capabilities has reinforced the trend toward broker consolidation in terms of their enhanced industry roles going forward. In addition to consulting-oriented services, brokers continue to provide value with communication and education, albeit more virtually, and with innovative products that anticipate and satisfy employees' evolving needs. New and often customized offerings such as career development, financial counseling, and greater mental health support services will address some of the more pressing issues employees face in the post-covid workplace. Products that also support increased work-life balance and meet the needs of a diverse and multigenerational workforce will contribute to additional employee engagement and help retain talent.³ Employers have recognized that happy employees are often more productive and loyal, so product price alone will no longer be a deciding factor for them when selecting broker services. Employers have also come to appreciate the value of brokers' new comprehensive services by recognizing that their advice, service quality, and human touch truly set them apart in an otherwise digitally focused ecosystem.

CONCLUSION

While the insurance industry continues to transition to a data- and technology-driven ecosystem, brokers have started their own evolution by shifting to benefits advisory roles from their traditional sales roles. Their customer and product knowledge, enhanced by better data and analytics, will ensure that their valued place in the insurance industry is continually evolving.

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1 AFLAC Workforces Report: Workplace Benefits Trends, U.S. Employer, 2021

2 "Harnessing Growth and Seizing Opportunity: The Future of Workforce Benefits," LIMRA/EY, 2021

3 Ibid.