

6 Key Trends Accelerating in the Group/ Voluntary Benefits Insurance Market in the COVID-19 Era

Small businesses are a primary area of focus for Group/Voluntary insurance as the 30 million small businesses in the U.S. collectively employ about half of private sector employees, and consistently generate the majority of employment growth.¹ Small businesses have been gravely impacted by the current COVID-19 pandemic but have been adapting to the new environment. The UPS Small Business Survey, conducted through May and June, revealed that 41% changed or pivoted their business in the following ways:

- 65% doing more business online
- 28% shifting to e-commerce; and
- 15% offering curbside delivery.²

When drilling down further to individual small businesses, restaurants, entertainment-oriented businesses, gyms, hotels, barber and hair salons have been especially hard-hit, with only the savviest ones surviving by virtue of pivoting their product lines to meet new needs (i.e. distilleries and breweries switching from beer to hand sanitizer), or adapting their offerings altogether, such as restaurants quickly pivoting to delivery and outdoor dining options.³

The pandemic and its aftermath will accelerate these important, existing trends for the group/voluntary benefits insurance market, particularly those that relate to smaller carriers.

- 1. High and rising health insurance costs.**
In 2019, annual premiums for health coverage for a family of four cost \$20,576, with the average employer assuming 71% of that cost.⁴ This impedes wage growth and prevents many small businesses from offering health insurance to their employees, with potential negative impacts on employee morale and productivity. To help keep costs down, health insurance companies have raised deductibles and co-pays and excluded certain coverage types, which is expected to continue in the wake of the current COVID-19 pandemic. This practice creates opportunities for other group/voluntary insurance products to fill these gaps.
- 2. The role of the employer continues to shift from payer to sponsor for employee benefits,** with consumerism and voluntary health insurance products helping to fill employees' health insurance gaps. 30% of U.S. employees now have employer-sponsored, employee-funded health savings accounts (HSAs) as a replacement for group health insurance, with 70% of these accounts added in the past five years.⁵ Large employers and high-income employees dominate HSA utilization, putting small businesses and middle-income employees in catch-up mode.
- 3. Rapid growth of voluntary benefits insurance products sponsored by**

employers and paid for by employees.

These products help offset health insurance deductibles, copays, and coverage gaps and now grow at a combined 10% per year,⁶ with broad and growing coverage across both large and small businesses and high satisfaction rates for the employees that utilize these products. With only 20% of employees currently enrolling, this market is poised for long-term growth with improved employee education, continuing product innovation, and lower product costs.⁷

4. Challenges with attracting and retaining good employees and a need for better health and wealth-related advice.

Financial and health-related stress issues negatively impact employees' ability to be fully engaged with their employers, be highly productive, and have high job satisfaction.⁸ Those companies that can provide effective financial and wellness education and advice offerings to their employees stand to benefit greatly. A high percentage of employees desire but lack high quality advice and products, including for voluntary benefits products, to fit their particular needs. This presents a big opportunity for employers to differentiate themselves in this area to help attract and retain good employees.⁹

5. An increasing need for administrative simplicity with small businesses.

According to a 2019 Paychexx study, the average small business owner spends at least one day per week on employee-

related paperwork and administrative tasks.¹⁰ This has prompted the rapid growth of professional employer organizations (PEOs) that provide fully outsourced HR and benefits services to small businesses. The need for simplicity has also required voluntary benefits insurance companies to maximize the ease of enrollment and ongoing servicing for their products to minimize the amount of paperwork and time spent on these activities by employers and employees.

- 6. The emergence of new market players to address the above and other challenges with health insurance and employee benefits.** With 18% of U.S. GDP now being spent on healthcare and the average private health insurance cost for a family of four being over \$20,000, expect the mega technology companies (Apple, Amazon, Microsoft, Google, others) to accelerate the roll out of offerings that combine wellness types of devices and services with access to now widely available electronic health records. The focus will be on increasing medical cost transparency and improving health outcomes. Voluntary benefits insurance companies will need to simplify their technology and operating environments and provide application programming interfaces (APIs) that the consumer health gateway providers will use to access to their systems, services, products, and content to optimize consumers' health outcomes.



CONCLUSION

Small businesses and their employees provide the backbone of the U.S. economy. High and rising health insurance costs strain small businesses' finances and stress their employees, and this trend is expected to continue in the COVID-19 era. Voluntary benefits insurance products that fill in health insurance gaps continue to grow. Also expect rapid growth for new solutions that allow small business employees to manage their health insurance costs and overall health more effectively.

ABOUT VITECH

Vitech is a global provider of cloud-based benefit and investment administration software. We help our clients expand their offerings and capabilities, streamline their operations, gain analytical insights, and transform their engagement models. Vitech employs over 1,300 professionals serving over 100 of the world's most successful insurance, retirement and investment organizations. An innovator and visionary, Vitech has been recognized by Celent as a three-time XCelent award winner.



¹ Small Business Administration, 2019 Small Business Profile. <https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/23142719/2019-Small-Business-Profiles-US.pdf>

² UPS Store Small Biz Buzz Survey, May-June 2020. <https://www.theupsstore.com/File%20Library/theupsstore/pr/theupsstore-inside-small-business-infographic-2020.pdf>

³ "What Does the Second Wave of Covid-19 Mean for Small Businesses?" News@Northeastern <https://news.northeastern.edu/2020/11/12/what-does-the-second-wave-of-covid-19-mean-for-small-businesses/>

⁴ Kaiser Family Foundation. 2019 Employer Health Benefits Survey. <https://www.kff.org/report-section/ehbs-2019-section-1-cost-of-health-insurance/>

⁵ Devenir Research. 2018 Mid-Year HSA Market Statistics & Trends. <https://www.devenir.com/wp-content/uploads/2018-Midyear-Devenir-HSA-Market-Research-Report-Executive-Summary.pdf>

⁶ LIMRA. <https://www.limra.com/globalassets/limra/research/workplace-benefits/workplace-products/workplace-benefits-historic-growth-rates-summary---4q-2019.pdf>

⁷ Eastbridge Consulting, 2019. <https://www.employeebenefitadviser.com/news/voluntary-enrollment-rates-rise-higher-than-predicted>

⁸ AFLAC Workforces Report: 2019-2020. https://www.aflac.com/docs/awr/pdf/2020-fact-sheets/aflac_workforces_report_fact_sheet_national.pdf

⁹ MetLife Employee Benefit Trends Study, 2020. <https://www.metlife.com/employee-benefit-trends/ebts2020-holistic-well-being-drives-workforce-success/>

¹⁰ Paychexx Study, 2019. <https://www.oasisadvantage.com/managing-people-paper-study/>