

# voluntary insurance

trend report 2023

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## Executive summary

As with any industry, the group (or employer-sponsored) voluntary insurance market is fluid and constantly changing. Carriers are always looking to offer new products, enhance old products, and cover more of life's complications and uncertainties. What was new and innovative yesterday has shifted due to changes in the economy, the job market, the state of health care and the priorities of American workers.

Group voluntary benefits products are built to meet the needs of American workers and the employers who sponsor those benefits. By studying the products selected by employers, we can gain valuable insights into what companies see as high-impact, high-value benefit offerings that protect the health and well-being of employees and their families.

This report provides a peek into some of the current group voluntary trends set by employers.

### Group voluntary benefits: less voluntary and more essential

#### More than 72 million American adults carry ongoing medical debt.

This places them at a higher risk of forgoing health care in the future. In fact, more than half of individuals with past-due medical bills have skipped prescriptions or doctor-recommended medical tests or treatments for a known medical problem because of the high cost.<sup>1</sup>

Past-due medical debt affects **22%** of American adults.<sup>1</sup>

While major medical insurance exists to help insureds pay for treatment after a serious injury or diagnosis, many insurance plans have limitations and built-in costs that the insureds are responsible for paying.

**Deductibles** – The amount an insured must pay before the carrier will pay a claim. The average annual deductible is \$4,364 for individual coverage and \$8,439 for family coverage.<sup>2</sup> High-deductible insurance plans have considerably higher out-of-pocket costs until the deductible is met.

**Copays** – A fixed fee the insured must pay for a service covered by their medical insurance plan. Copays can range anywhere from \$10 for a routine office visit all the way up to \$250 or more for an emergency room visit.<sup>3</sup>

**Coinsurance** – The percentage of a medical charge you pay after your deductible is met. For example, if a carrier charges 20% for coinsurance and an insured receives a \$500 medical bill, the coinsurance charge will be \$100.

Altogether, these charges can add up quickly into thousands of dollars of out-of-pocket costs. If payments aren't made on time, the provider may charge interest and additional fees that can add up to potentially crippling debt.

“The persistence of medical debt highlights the **ongoing challenges families face in obtaining affordable health care**, including high prices for services, gaps in access to health insurance coverage, and inadequate protection against out-of-pocket costs for many people with high-deductible insurance plans.”<sup>4</sup>

Insureds in this situation are left with few options to pay outstanding medical bills. They may dip into savings or access their investments or retirement funds to pay medical bills, but they will feel financial implications down the road.

A better solution can be found at work. Beyond standard compensation and major medical insurance, employees need more support, which they can find through **group voluntary insurance benefits—also known as supplemental insurance benefits**. These are employer-sponsored and typically employee-paid insurance plans that provide a cash benefit directly to eligible enrolled employees when they experience a covered loss, regardless of any other insurance they have in place.

Voluntary coverage can include accident insurance, critical illness insurance, and many others. While termed “voluntary,” these coverage offerings often feel essential to those who need them, which can be any of us at any time.

## Why choose group voluntary benefits?

**Employers save money.** Let's face it: medical insurance is expensive for both employees and employers. For the latter, the cost per employee for medical insurance benefits continues to increase every year. An average increase of 5.4% is expected in 2023 alone.<sup>7</sup>

For voluntary benefits, employees are typically responsible for 100% of the premiums. That's not to say that employees will be left to pay hefty premiums, though. In fact, employees enjoy discounted group rates and payroll deduction that is typically tax-free. When an employer offers voluntary benefits in addition to major medical coverage, they are helping to mitigate health care costs for their employees without impacting their own bottom-line results.

**Employers can appeal to more talented job seekers.** Recruitment has shifted in recent years and job seekers are looking for more perks. While benefits are especially helpful to older workers who might have more health issues, research has shown that entry level workers also want these benefits. A study found that 81% of Gen Z job seekers said benefits make them more likely to apply for a job, making benefits more valuable among Gen Z workers than company name recognition and even salary.<sup>6</sup>

**Employees are more satisfied and may be more likely to stay.** A recent study showed that satisfaction increases when employees are offered a greater number of benefits.<sup>5</sup>

Unsurprisingly, satisfaction increases with the number of benefits offered, which also fosters loyalty. "Of workers who are most satisfied with their benefits package, 75% of them say that their benefits package makes them more inclined to stay with their employer," says Patrick Leary, VP of Workplace Benefits Research for LIMRA (Life Insurance Marketing and Research Association).<sup>15</sup>

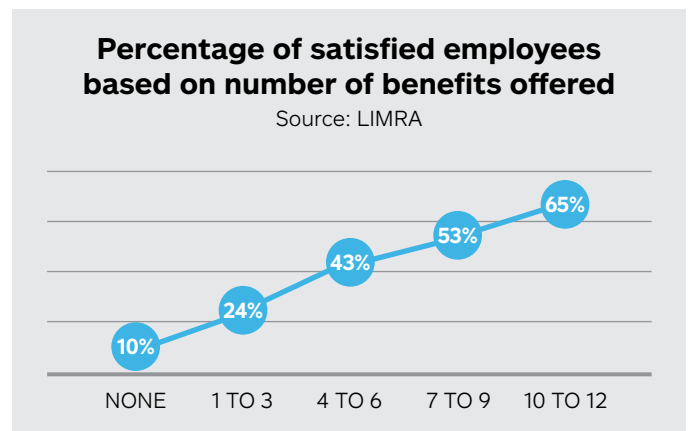
By adding products like accident insurance or voluntary life insurance to their existing portfolio, employers may boost satisfaction levels among employees and, in turn, enhance employee retention levels as well.

The International Foundation of Employee Benefit Plans (IFEBC) found that companies reporting success in retention were more likely than other companies to offer a variety of voluntary benefits.<sup>9</sup>

**Employees are often healthier, happier and more productive.** When an employee

and their covered loved ones know they have the financial support to seek care, they are more likely to stay on top of their health. This is true for traditional benefits as well as wellness benefits, which are benefits that encourage employee health such as fitness programs, support groups, health screenings and preventive care. This is not just good for employees; it also helps employers cut long-term health care costs.<sup>8</sup>

Furthermore, more than 75% of employers say that employee wellness benefits "improve employee absenteeism/presenteeism, attract and retain top talent, and work to maintain or improve employee morale."<sup>8</sup>



### Group voluntary benefits are increasing in availability

When asked about employer offerings during 2022 open enrollment, nearly 67% of surveyed brokers said at least half of their employer clients increased the number of voluntary benefits they offered.

An industry-wide increase in the sales of voluntary products reinforces this trend. In 2022, sales of accident, critical illness, cancer, hospital indemnity, and other voluntary health products saw an 8% increase year-over-year, according to LIMRA.<sup>10</sup>

This trend looks to continue. A study by BenefitsPRO found that 70% of brokers expect their voluntary business to continue growing in the future, with nearly half of them saying that 2022 enrollment increased among employees.<sup>11</sup>

Although the increase indicates a strong and growing presence of voluntary benefits in the average employer's portfolio, some brokers say there is still work for the industry to do to drive more employers to offer voluntary coverage to their employees.

There may be any number of reasons for an individual employer to choose not to offer these products, but the crux of the issue likely lies in a misunderstanding about the benefits and lack of knowledge about how easy it is to offer employee-paid plans. One broker commented, "There is still a 'status quo' mentality, I believe due to clients not wanting to take on additional work or not entirely understanding the processes."

The more employers understand the advantages and the ease of offering group voluntary benefits, the more talent they will be able to attract and retain—and the more their employees will benefit from the financial protection the products offer.

**In April 2023, Allstate Benefits surveyed a small group of independent insurance brokers about their observations of employer preferences across all carriers during the last open enrollment. This information includes their feedback as well as observations from additional sources.**

## Top priorities for employers

According to surveyed brokers, the top priority for employers is product usefulness to their employees, which is a good sign that they are focused on the needs of their workforce above all else.

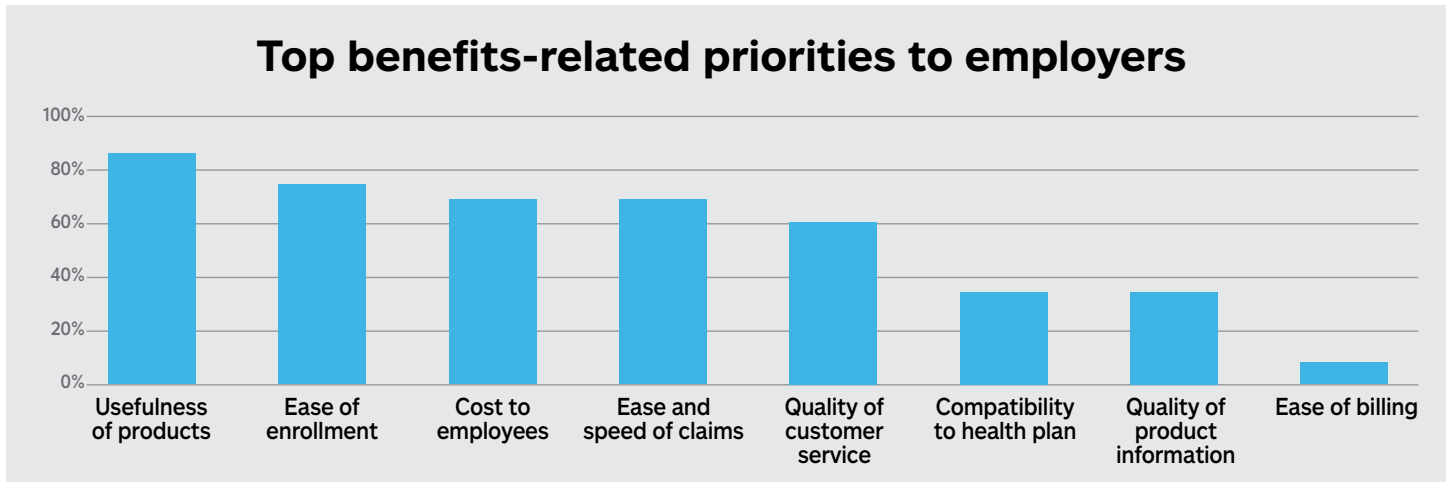
A notable trend is the focus on ease of doing business. From enrollment through claims, brokers and employers alike want it to be easy for employees to enroll in and use their voluntary benefits.

When asked to select the top priorities for their employer clients, 75% cited ease of enrollment and 67% named ease of claims. Furthermore, more than half of respondents said quality of customer service is important.

**“Customer service with the carrier is KEY.”**

- Independent Broker

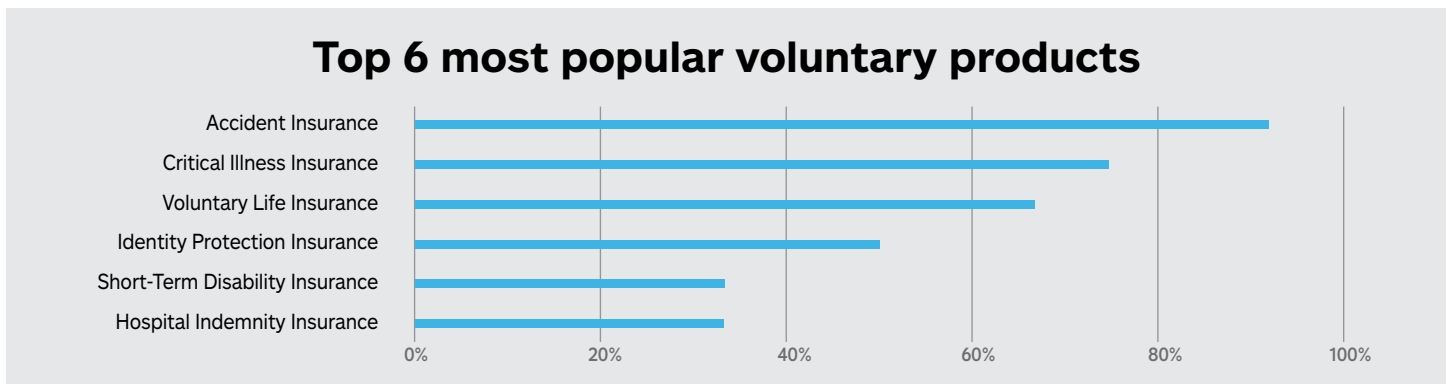
### Top benefits-related priorities to employers



## Popular voluntary benefits

We have established that the more benefits an employer offers, the higher the satisfaction level reported by employees. As such, employers are adding more products to their benefits portfolio. Which coverage options are popular with employers, across all carriers, according to brokers?

### Top 6 most popular voluntary products





## Popular voluntary benefits: a breakdown

**#2**

### **Critical Illness Insurance selected by 75%**

Insureds receive a benefit if they are diagnosed with a covered critical illness. 75% of surveyed brokers named it as a top product. According to IFEBP, critical illness coverage is more popular with larger employers.<sup>9</sup> This may give them the recruiting edge in appealing to top talent.

**#1**

### **Accident Insurance selected by 92%**

Benefits are paid if a covered individual experiences an accidental injury. Nearly every broker said this is among the most popular products for employers to offer their workforce. A LIMRA report places accident insurance among the most valued, especially for employees with children under age 18.<sup>5</sup>

**#3**

### **Voluntary Life Insurance selected by 67%**

Beneficiaries receive a cash benefit when the policyholder passes away. The pandemic expanded awareness of the importance of life insurance, and it has been on the rise ever since.<sup>15</sup> Most surveyed brokers named life insurance as a popular product.

## Other popular voluntary products

### **Identity Protection Services**

Insureds receive identity monitoring services to protect them against the effects of identity theft and cybercrime. With remote work becoming more prevalent, employees and employers face an increased risk, which has led to increased interest in identity protection.

### **Short-Term Disability Insurance**

If a covered person is temporarily disabled and unable to work, benefits are paid to help cover their expenses regardless of any other insurance they have in place. About one-third of surveyed brokers find this to be a popular product for employers.<sup>9</sup>

### **Hospital Indemnity Insurance**

Benefits are paid when a covered person requires a hospital stay, which is not always fully covered by medical insurance. While about one-third of employers offer this coverage, ever-increasing hospital costs make it a necessity for many people.<sup>9</sup>

### **Cancer Insurance**

Covered individuals receive a benefit if diagnosed with a covered type of cancer. This is a popular offering for employers that offer Allstate Benefits products. Out-of-pocket cancer treatment costs are often overwhelming, and employers know this coverage can help employees when it is really needed.

### **Vision Insurance**

Covered individuals can receive benefits for eye exams, corrective lenses and more. 90 million Americans over age 40 have vision impairment and eye problems, and vision coverage helps to provide the confidence they need to seek care.

### **Dental Insurance**

Benefits are paid to help cover preventive care like check-ups as well as eligible procedures. National dental care expenditures reached \$162 billion in 2021, an increase of 11% from 2020. Furthermore, out-of-pocket spending increased by 13%, which is where voluntary dental coverage can help.<sup>16</sup>

### Wellness and beyond: popular add-on voluntary benefits

While many employers are offering traditional voluntary insurance coverage, more and more workers are seeking out additional support beyond standard medical coverage. Add-on benefits (sold via optional riders or as standalone products) are aimed at promoting overall wellness and disease prevention for employees.

“We see a lot of momentum around wellness benefits. We really see those benefits that are addressing the holistic well-being of employees gaining momentum,” says Pat Leary of LIMRA.

Of employers that offer accident insurance and critical illness insurance from Allstate Benefits, a vast majority offer optional wellness riders. This adds immense value for current employees as well as talented candidates looking for job perks.

#### **75% of brokers said Mental Health Services are popular add-ons.**

The most popular wellness benefit option offers support to enrolled employees who need mental health counseling and support. Millions of Americans struggle with mental health issues, and people are turning to their employers for help via counseling and support services.

This coverage is especially popular among younger employees. A survey by Securian Financial found that Gen Z and Millennials are more likely to value mental health benefits compared to older generations.<sup>12</sup>

#### **58% of brokers said Preventive Health Services are popular add-ons.**

This may include primary care check-ups, vaccinations, screenings, or any visit or procedure that is intended to aid in the prevention of illness. Compared to other wellness benefits, these may be more broadly utilized by workforces regardless of generation.

#### **42% of brokers said Telehealth Services are popular add-ons.**

Between the pre- and post-pandemic U.S. workplace, the number of employees working from home tripled to nearly 20%, or 18 million workers.<sup>13</sup> Americans are also becoming accustomed to living remotely in other ways. From grocery shopping to socializing, we are now embracing a virtual life. This includes telehealth services like virtual doctor’s visits and online counseling.

#### **33% of brokers said Financial Well-Being Services are popular add-ons.**

Money worries affect American workers in nearly every way imaginable, and this can even affect their employer. A recent survey by PwC found that financial stress drives down productivity and retention. Additionally, financially stressed employees are twice as likely to be actively looking for a new job than their less stressed coworkers.<sup>14</sup> By offering financial well-being tools and support, employers help to keep employees financially healthy as well as productive and happy.



## Popular enrollment methods

Enrollment provides an excellent opportunity for employees to learn about and sign up for new coverages. We know that ease of enrollment is a high priority for employers, and most brokers surveyed said that electronic enrollment is the most preferred method.

However, because employees may not fully understand the available options, one-on-one enrollment with a live person (either in-person or virtually) is popular with more than a quarter of employers. This option can help them understand the products and select the ones that best fit their needs. Still, others included phone and paper enrollment as methods selected by employers.

**“The clients want to speak to a live person who they can ask questions to.”**

- Independent Broker

<b>What were the most popular enrollment methods?</b>  Brokers were asked to select all that apply.	<b>56%</b>	<b>Electronic</b>
	<b>28%</b>	<b>In-person</b>
	<b>11%</b>	<b>Phone</b>
	<b>5%</b>	<b>Paper</b>

**This really shows the desire for a hybrid approach.** Rather than providing one way to enroll, employers are best positioned for success when they interact with employees using an omni-channel strategy.

An employer may offer a mobile-optimized electronic platform enrollment for employees who are on-the-go and tech-savvy, while also offering an appointment-based in-person option for employees who are new to enrollment, need to make changes or just have some questions.

## Final takeaways

### Our findings led to the following conclusions:

- Voluntary product offerings are on the rise—notably Accident Insurance, Critical Illness Insurance and Life Insurance.
- Above all else, employers are hyper-focused on two things: the ease of doing business and providing products that meet the needs of their employees.
- Providing wellness benefits to support mental health and offer preventive care are both important to employers.
- Electronic enrollment is largely preferred, although offering multiple enrollment options helps employers meet the individual needs of their workforce.

Offering practical voluntary benefits that are convenient and affordable is becoming a staple in the American workplace, a trend that only looks to continue into the future.

Beyond the data, the fact is there is no more important priority for American workers than to feel financially protected in the case of an accidental injury, serious illness or loss of life. By offering employer-sponsored voluntary benefits, companies demonstrate their dedication to ensuring employees and their loved ones are protected when it is needed most.

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