



Growth Opportunities in the Voluntary Benefits and Group Benefits Market

February 2022

The marketplace is changing, are you?



CONTENTS

- 3 Executive Summary
- 4 The Workforce is Changing
- 6 Revisiting the Rules of Engagement
- 10 Embracing Innovation
- 12 Conclusion
- 13 About the Authors

Executive Summary

Evolving approach towards voluntary benefits

At a recently held roundtable organized by Capgemini and Majesco, distinguished leaders from the industry discussed how expectations in the workplace are changing for Gen Z and Millennial workers, especially regarding voluntary benefits. This point of view shares insights from this discussion and assesses how the approach and relevance of benefits are evolving for the next-gen workforce.

Where we are today is an exciting time. Technology has matured to a state where it is generally making a difference to employee engagement and customer experience. The wider market, employers, employees, customers, and brokers ultimately expect significantly more from the insurance industry. The world of work is changing. Everybody can see and feel it when you look out into the wider marketplace.

"We are in the talent war of a lifetime to retain those people and to attract the best talent. We can throw all the money in the world at them or we can begin to think about how to make that employment relationship deeper and more impactful. And to me, that's what the benefit space is actually about. It's about providing the connectivity with the employer to the employee by providing those fundamental protections that mean that their lives are less risky. They're less economically bumpy, and they're more likely to stick around because those benefits become an important part of their overall relationship."

-Roundtable Participant

In group and voluntary benefits, the employer has long been considered the customer. But we are undergoing a shift that has created an entirely new employment dynamic, where companies treat their own employees like customers — making sure that the experience looks inviting from the outside and doing their best to keep the employees happy once they've joined the organization. With employers needing to please employees, group insurers and voluntary benefit providers are now needing to look one layer deeper in the experience. How can the industry improve the employee experience through the group and voluntary benefits?

The key to opening up the opportunity is finding ways to increase relevance with the employee. If you think about it, the approach is geared around windows of opportunity - typically the annual benefits enrollment period - when products are selected or not. The industry is quite good at identifying when you join the employer for the first time. It's quite good at identifying when you're giving birth to your first child. It's obviously very good at identifying when you are retiring. But there are other life events that happen which could be points in which the value of the industry could be delivered back at a high level that are just totally missed. Employers should work closely together with insurers to track and identify those things and to properly rethink the proposition - well beyond the annual enrollment process and the traditional products offered within benefit plans.

The Workforce is Changing

...and the market needs to adapt.

There is a major shift happening in the workforce that has been building. As the older generation hangs up their boots, the dynamics of the work environment are changing. In 2021, the Millennial generation overtook Gen X and Boomers as the dominant 30-60-year-old insurance buyer segment in the United States and will be joined by members of the Gen Z generation in 2025¹.

With this change in demographics, the rules of employment and retirement are being rewritten. Millennials and Gen Z are not bound to a single organization for their career, instead opting to move around, have different experiences including starting their own business or Gig work. Gen X and Boomers want to retain the benefits in retirement they have been accustomed to for decades.

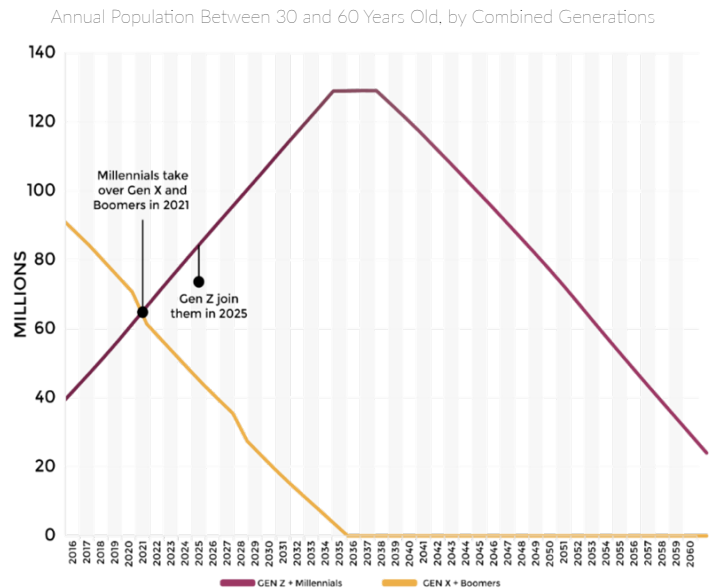


Figure 1 *The Insurance Buyer "Sweet Spot"*

Source: Analysis of Census data table, NP2017_D1 Projected Population by Single Year of Age, Sex, Race and Hispanic Origin for United States 2016-2060

"Change is inevitable. Growth is optional."

-John Maxwell

The pandemic has created a spike in the number of people who left their jobs. Many have found they can work from anywhere, creating a new competitive workplace landscape. Termed as 'The Great Resignation'², this economic trend, seen across all businesses from small to large and from retail and education to technology workplaces, has put employers on notice to retain existing and attract new talent.

¹ Projected Population by Single Year of Age, Sex, Race and Hispanic Origin for the United States 2016-2060, 2017

² Anthony Klotz, Texas A&M University coined the phrase while predicting the mass exodus in May 2021

While raising wage levels continues to be a key focus, millennials and Gen Z want more than that. Their expectations and needs are different. As a result, businesses need to do more to build deeper and more meaningful relationships with their employees, providing them the salary and benefits that are important to them. Because of this, there is an increased focus on offering a broader set of benefits that provide financial well-being ranging from traditional health, vision, and dental benefits to financial planning, physical wellness, disability insurance, life insurance, pet insurance, and more.

Within the US, this presents a significant growth opportunity for insurers. It is estimated that US households are unprotected to the tune of \$19 trillion³, creating a worrying 'protection gap'. Delving deeper into the statistics⁴ presents a significant health and financial risk in terms of uninsured and underinsured population:

- 48% of consumers have no life insurance.
- 86% lack disability insurance.
- 82% have no long-term care coverage.
- 59% are not enrolled in an employer-sponsored retirement account.

The combination of this protection gap along with a major shift in employee needs and expectations for employee benefits offers an opportunity for employers to compete in the war to attract and retain talent better than others who do not.

"We've got multiple different generations now in the workplace, sometimes five maybe six different generations potentially, and they all have different needs and expectations."

-Roundtable Participant

Insurers who can offer a wider array of group and voluntary benefits with different plan options that meet the different generational needs from Boomer to Gen Z are poised to capture a significant market opportunity not seen in decades. Even more important, given the nature of the younger generation to change employment and the older generation wanting to retain some coverage, voluntary benefits that can be underwritten individually or can be ported to individual insurance so the employee can retain them. Insurers now have an opportunity to retain employees as an individual customer and thereby having the ability to maintain and expand the relationship.

The workforce is changing, and insurers must change to remain relevant in the new normal.

³ Oliver Wyman analysis in: "Reimagining Life Insurance"

⁴ 2021 Insurance Barometer Study, LIMRA

Rewriting the Rules of Engagement

Out with the old and in with the new

The changes in demographics, needs, and expectations along with the work environment present a great opportunity for insurers as well as employers to rewrite the rules of employment and engagement that have remained stagnant over the past decades.

A 2021 Forbes article highlighted that [Prudential Financial's Pulse of the American Worker survey](#)⁵ found that 1 in 4 workers - 25% - are looking for new employment post COVID. Furthermore, the survey noted that nearly 80% of employees are looking to employers for solutions to alleviate financial stress with benefits such as retirement plans, health, disability, and life insurance, paid family medical leave, and emergency savings programs. In comparison to a year ago, 40% of workers were more likely to consider a job that offered better benefits.

There is a need for innovation around employee benefits and coverages for a younger generation who have different lifestyle needs as well as for on-demand workers (including retirees) who are estimated to be an increasing part of the workforce. Innovative new plans and insurance options such as pet, cyber and identity theft insurance, as well as portability, will become increasingly important to attract and retain employees but also offer an opportunity to keep them as customers as they change jobs.

By looking at the employee as a customer, insurers stand to create a deeper and valued relationship that can continue when the employee changes employers, moves to gig work, or retires. This is an increasingly important and popular idea that is gaining momentum among employees, with more than two-thirds of all generations saying portability would be very or extremely valuable to them.

"If you had to buy all of your Amazon groceries next week for the whole next year, what would you buy? This is how open enrollment is now! It would be better to have/allow "in the moment" purchasing/enrollment."

-Roundtable Participant

If you left your employer you would likely lose your voluntary benefits. How valuable would it be if you were able to take these with you (and pay for them) if you ever left your employers?

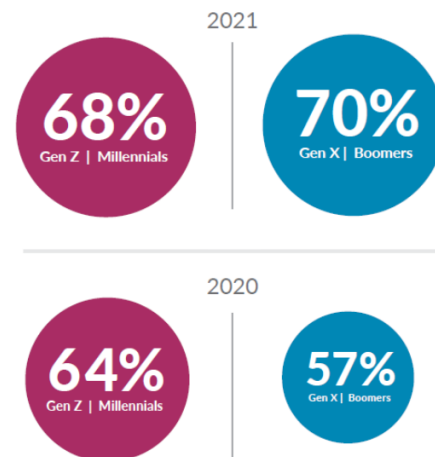


Figure 2 Importance of Voluntary Benefits portability

Source : Your Insurance Customers: A Crystal Ball of Big Changes in a Small Window of Time, Majesco Analysis 2021

⁵ Caroline Castrillon, [Why Millions of Employees Plan To Switch Jobs Post-Pandemic](#), Forbes, May 16, 2021

Customer Experience

As Millennials and Gen Z take the lead as the dominant buyers, the ability for insurers to capture them as customers will be severely challenged unless they develop a new customer experience. This new dominant generation views and values things much differently. They are not satisfied with traditional insurance processes, products, and business models. They have grown up in a digital world. They expect and demand digital capabilities. They want new products that will align with their activities, needs, and behaviors. They want services, coverage, and interactions that are available to them whenever they want them, and however, they wish to engage.

"Take off your hat, your insurance hat you've been wearing for the last twenty 30-40 years and put on the hat of a buyer and pretend you're actually a person that's purchasing this coverage."

-Roundtable Participant

Interestingly, the pandemic has spurred an interest in the populace to seek more comprehensive protection due to the increased awareness of the value of insurance. At the same time, there still exists the need to increase the understanding of a broader set of insurance offerings that can address their financial well-being.

Interest in purchasing...	Before Covid-19	In the next 6-9 months
Life-insurance	32%	41%
Health Insurance	35%	45%
General Insurance for safeguarding assets	34%	44%

Figure 3 *Increase in interest towards purchasing insurance products post COVID-19*

Source: World Insurance Report 2021, Capgemini and EFMA

Insurers must strike the right balance in terms of the product, value-added services, and experience to support the breadth of generations within the workforce. With the emergence of a more diversified workplace across all generations, employees, and subsequently, employers expect a broader portfolio of group and voluntary benefits products that will meet their personal needs, life stage, and lifestyle. While many employers continue to offer the traditional products of health, dental, vision, STD, LTD, and life, there is an increasing demand for new, innovative products such as pet insurance, school loan assistance, critical illness, long term care, auto, hearing, identify theft, homeowners, and legal services.

And these offerings must be digital. For years there have been various levels of digital adoption to satisfy market demands; until physical distancing led to a rapid increase in customer demand, forcing insurers and agents to adopt digital channels more quickly. But COVID accelerated digital. Access, enrollment, and servicing of benefits must be digital to align to the new work environment that is likely remote or hybrid. The older generations are rapidly adapting to digital, whereas the younger generations were born and raised digital.

"An understanding of who this person is so that the sequencing of the questions can be in a natural order of priority to accelerate real-time calls back to an underwriting engine, again providing really, a reflexive and dynamic approach to that experience that's so important for each individual going through the process."

-Roundtable Participant

Insurers and employers need to change their perspective in offering group and voluntary benefits and see it from the eyes of the employee. Capturing, enriching, and using data to deliver a relevant and engaging customer experience is paramount. The opportunity to combine employer data with employee-generated data, from employment, enrollment, wearables, public data, or more provides a foundation to create personalized experiences and tailored plan offerings that can drive increased and broader enrollment in benefits, while building long-term loyalty.

Offering personalized plans for different employee demographics and making them portable offers employers an opportunity to strengthen employee satisfaction and address the ongoing fight for talent. As the older generation moves into retirement or semi-retirement, the desire to retain valued benefits via portability is also high, given that Medicare does not cover all their needs.

Individual in Group and Benefits Setting

In the traditional model, the employer is the one who decides on what benefits can be offered to the employee. This one size fits all approach no longer holds true given the breadth of different needs and expectations of employees.

"Offer an individual product to give employees a spectrum of options and then utilize tools to track which are most relevant and which are most popular. That could help in your planning. I think it's changing the mindset of HR and the company to look at it a little bit differently. And it's a 100% behavior change, and change is not always easy."

-Roundtable Participant

With employees more empowered, there is a growing need for insurers to offer a broader portfolio of offerings that are meaningful to them. Each employee is unique and is at a different stage in their life. Just bought a house, had their first child, need to send kids to college, each of these employees has different needs.

Offering a broader portfolio of products allows employees to select what is important to them across health, wellness, and wealth protection products and services. And it is no longer just group and voluntary benefits products. Individual is now a key offering with the plans. This expanding spectrum of products from the group and voluntary benefits that are underwritten as a group, to include individual products underwritten for each person is a major shift underway.

The value of this is that employees' needs are better met with a range of options. In particular, offering individual (often termed worksite) products allows employees to more easily keep the insurance when they leave employment and avoids the often rise in cost from group to individual.

"Almost becomes a personalized enrollment package, really targeted to them based upon their information and their data. Not only does that give that personalized touch, but it also potentially increases enrollment numbers in some of these products where you know you're kind of like trying to do something specific to them."

-Roundtable Participant

New Non-Traditional Benefits

Today's employees across all generational groups are increasingly digitally adept, with higher expectations, different needs, and a demand for better experiences that are not met with the "traditional" insurance approach, creating a fault line between people's expectations and insurers' ability to deliver. Across the board, employees are looking beyond the traditional anchor products of health, dental, vision, life, and AD&D to an expanding set of benefits that address their growing concerns for their financial wellness and risks they, as individuals, are exposed to.

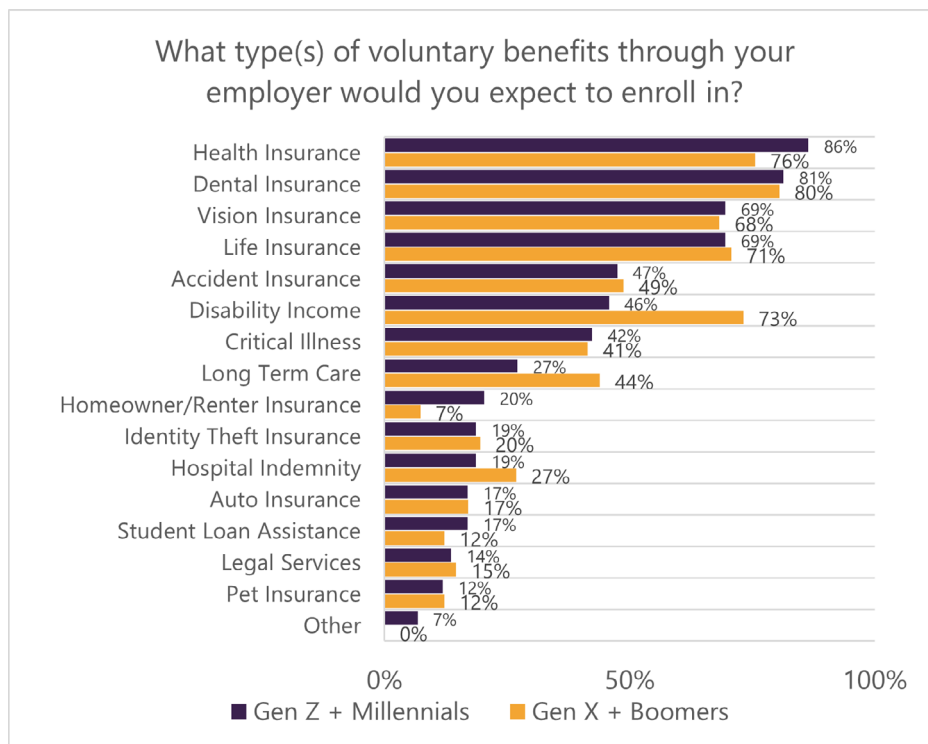


Figure 4 *Breakdown of anticipated/expected Voluntary Benefits*

Source: Your Insurance Customers: A Crystal Ball of Big Changes in a Small Window of Time, Majesco Analysis 2021

To retain and grow their customer base and revenue, insurers must rethink their scope to a broader lifestyle experience across health, wealth, and wellness that includes:

- **Insurance Product:** A broader array of products outside the traditional health and life insurance spectrum to include auto, homeowners, pet, and cyber to name a few.
- **Lifestyle - Health, Wealth, and Wellness Experience:** A broader focus to cover all aspects of their life from health, wealth, and wellness for banking, insurance, wellness activities, legal services, student loan assistance, and more.
- **Value-Added Services:** Provide value-added services such as wellness discounts, preferred access to gym memberships, and access to financial planning services.

Providing a broader portfolio of offerings as part of an overall plan benefit package(s) begins to address the broad range of needs across multiple generational groups that will drive employee enrollment and value. To make the process easy, insurers and employers must leverage employee data – both collected as part of the employment process and voluntarily supplied by employees – to personalize and prioritize the products and services that fit with employees' life stages and personal needs and interests.

"If you flipped the approach and looked at employee life events, does that offer an opportunity to engage that employee differently? They had a child. Maybe they need additional insurance. Maybe they took a loan out of their 401K to be able to put a down payment on a house. Now there's a lot of opportunity to engage to sell new products at that point in time, off-cycle to the annual benefits process. These could be individual products that can create a better overall value proposition and loyalty to the employer and insurer because they're helping them at that time, when their life is changing."

-Roundtable Participant

Embracing Innovation

Seizing the opportunity and creating first mover advantage

Understanding the market indicators is the first step. To capitalize on the opportunity, insurers need to fully embrace new ways of doing business and look at embracing emerging technology to facilitate the new processes.

“Never confuse motion with action.”

-John Maxwell

Data-driven

The importance of capturing, enriching, and using data for identifying opportunities and then delivering a relevant and engaging experience for employees is crucial for Group and Voluntary benefits providers in today's digital era. Understanding and knowing the employee is key to offering a personalized experience to them. By aggregating data from third-party providers along with information from the employer, the insurer can use next-gen platforms to fully tailor these experiences based on the employees' needs.

“The landscape is changing rapidly and at least from the carrier perspective, the techniques that are being used to evaluate risk or even understand a little bit more of the customers' needs has changed. Carriers are starting to use more cognitive learning techniques, looking at social media and when an RFP comes in trying to gain as much information as possible to analyze.”

-Roundtable Participant

Whether the data is structured, unstructured, real-time IoT, or machine-generated, it must be leveraged by advanced analytics to enable the creation of tailored propositions and more compelling customer experiences ... aligning employee needs to the appropriate products and services, thereby creating deeper trust, loyalty, and engagement. At the same time, the availability of such data enables the insurers to underwrite at a much faster pace by using predictive models, allowing them to finetune their underwriting processes and maximize the financials. In addition, underwriting and claims are equally areas for applying advanced analytics to improve risk assessment and automation opportunities - enabling straight-through processing of claims such as dental, vision, or hearing to mitigate claims fraud faster, creating better outcomes for the employee, employer, and carrier.

Next-gen platforms are providing insurers with out of the box third-party data integrations and social media sentiment analysis using machine learning and artificial intelligence.

Embedded Products

In today's market, collaboration is key to open new channels, to engage with customers, break barriers of entry, drive better customer experiences and outcomes ... and to compete. Partnering with multiple organizations, insurers can open new ways to connect with the customer and establish non-traditional distribution channels like embedded insurance. With the broad swath of products and services that need to be offered, it becomes a situation where insurers need to start partnering with others who were traditionally thought of as competitors. By bringing together a broader package of products that can be offered to an employer and their employee base - including those you have not developed, creates greater customer value and makes the insurers' relationship and products even more valuable.

"I think smart insurance companies are beginning to think about everything as a channel. If I'm an insurer and I want to embed insurance into somebody else's value chain or experience, I should have the ability to do that. I want to be able to sell products through the employers that I do business with. They are channels and so I think this kind of sort of rethinking on what it means to be a channel and what it means to be the customer is part of a mind shift happening amongst the smarter insurers out there. It has significant implications for this particular sector of the business."

-Roundtable Participant

By building that partner ecosystem of collaboration, insurers can play to their strengths while the customer gets to enjoy a well-rounded product. For example, a life insurer can partner with a fitness tracker company to offer insurance to their customers, thereby allowing the insurer to target that market without having to set up a separate fitness watch business. But to do so requires next-generation technology using APIs to bring together solutions transcending industry or company boundaries.

Given the power of platforms and ecosystems, insurers can assume multiple roles, from owner of the unifying platform to orchestrator of the products and services, or provider of products and services. What they achieve will depend on their ability to enter the market while it is still an uncrowded "white space". The future is bright for insurers who leverage platforms and partnerships, greatly enhancing their ability to "penetrate existing markets and reach or create new markets.

"The diversified plays across group, voluntary and individual bring the carriers ability to have a very holistic conversation with the employer. For the good of the employee and obviously with additional product opportunities for that ecosystem. So that kind of leads into, you know, kind of from innovation and a technology perspective. You know some of the challenges we have in this industry."

-Roundtable Participant

Next-Gen Platforms

Unfortunately, too many insurers are still reliant on legacy systems, in part due to the complexity involved in grandfathering policies into the new systems. As opposed to non-life which renews every 6- or 12-month duration, group, voluntary benefits, and individual is more complicated and subject to regulatory constraints.

While some of the insurers are taking the plunge and upgrading their systems, others are still hesitant to go for newer, next-gen platforms. Next-gen platforms must support the customer across their lifecycle – whether for group, voluntary benefits, or individual insurance, recognizing the need to transition between these as they change employers, gig on or off, and have new product needs based on where they are generational. Optimally, these systems will support group and voluntary benefits with individual policy servicing on a single platform, recognizing that customer retention, regardless of where they originate, is critical to insurers' growth strategies.

Insurers must begin replacing legacy as well as introduce modern ways to interconnect legacy through an API orchestration layer on top of the existing legacy systems. This API layer will allow the older systems to still stay in the game at least in the short term. In the long term, there must be an organizational initiative to modernize the underlying core systems. Next-gen core systems will provide essential core insurance capabilities on a single platform for policy, billing, and claims with a powerful, innovative product chassis that enables rapid adaptation for new, innovative products or benefit plans, giving insurers the power, flexibility, and speed needed to capture opportunities and keep them at the leading edge.

Conclusion

According to the MetLife U.S. Employee Benefit Trends study, 60% of employees are interested in their employer providing a wider mix of non-medical benefits that they can choose to purchase on their own⁶. According to the same report, 66% of employers are expanding the range of employee-paid benefits or have plans to. This is great news for Group and Voluntary benefits providers.

COVID stands out, not as the only driver of employee benefits change, but because the net effect of COVID is that it has jump-started a new era for Group and Voluntary Benefits. The new workplace has a greater opportunity. Group and Voluntary providers will need to re-evaluate all that they provide. The key is grasping which new diversified plays will best fit the new employee culture and which insurer investments will make those plays quickly.

Employers need to work closely together with insurers to understand and identify what's important to employees, and then rethink the proposition. There's a vast area of untapped opportunities in diversified plays beyond the traditional coverages offered. While the anchor propositions for employer plans are healthcare and retirement services and traditional group covers for protection and disability. Expanding beyond this usual set is crucial and a significant opportunity for growth.

Insurers must shift to a new reality in the employer and employee market. They must begin to develop and maintain a relationship beyond the employer with the employee, particularly Millennials and Gen Z, who will be increasingly moving between employers and working in gig roles. They want and need more flexible propositions, which are more geared toward the individual than the actual employer themselves, so there is more portability.

Are insurers investing in capabilities to position themselves with a new operating model that really requires a new set of technologies, such as Next-gen core platforms, API, open ecosystems, and digital capability? This industry is behind, compared to the P&C segment from a modernization and optimization perspective. But there's an opportunity to actually jump...to leapfrog that and go directly into the cloud with these different next-generation platforms that allow a lot of these capabilities.

Traditional products, processes, and systems will likely lack a key digital component to engagement, policy retention, and advice. Group insurance and Voluntary Benefit providers are going to need to meet employee engagement and protection gaps with next-gen platform solutions. They will need to be cloud-native. They will need to be API-ready so that they can participate in current and future benefit ecosystems.

Instead of fighting for the same market share that we've all been fighting over for decades with many of the larger employers, we now have an unmet market opportunity with the small and medium employers. The growth opportunities are pretty astounding. We need to take a step back to rethink how that market needs to be served, and how we can provide benefits to a vastly changed employee marketplace.

Employers benefit. Insurance companies benefit. Employees benefit. It's a virtuous circle.

⁶ [Redesigning the Employee Experience: Preparing the Workforce for a Transformed World](#), Metlife 2021

Connect With Our Experts



Denise Garth, Chief Strategy Officer at Majesco - [Linkedln](#)

Denise Garth is the Chief Strategy Officer responsible for leading marketing, industry relations and innovation in support of Majesco's client centric strategy, working closely with Majesco customers, partners and the industry. She is a recognized Top 50 InsurTech Influencer and industry leader with both P&C and L&A insurance experience as CIO and business executive with deep global ties.



Seth Rachlin, Ph.D., Executive Vice President Global Insurance Industry Leader at Capgemini - [Linkedln](#)

Dr. Rachlin is currently Executive Vice President and Global Insurance Industry Leader at Capgemini responsible for setting the firm's Insurance industry strategy, managing its relationships within the Insurance technology ecosystem, and shaping and articulating the company's perspective on the industry. Dr. Rachlin has over twenty-five years' experience building and advising companies in the insurance, technology and business services sectors. He has extensive experience as a consultant to over 50 Fortune 500 and middle market insurance companies and has advised numerous software, services, and security providers.

The authors would like to thank Prashant, Aarti, and Prachi for their research on the topic and providing inputs to this paper.

Prashant Pathak, Manager, Global Insurance Practice, Capgemini

Prashant Pathak is an Insurance SME with over 9 years of experience working in the Property & Casualty and Healthcare domains. Tech-savvy and a born tinkerer, he is passionate about using technology creatively to solve critical business problems and maximizing productivity.

Aarti Rao, Director, Global Insurance Practice, Capgemini

Aarti Rao is a Life Insurance SME with 20 years of program delivery and thought leadership experience. She has in-depth understanding of data transformation, various policy admin platforms and is instrumental in supporting key Majesco L&A implementations in the NA geography.

Prachi Shah, Director, Global Insurance Practice, Capgemini

Prachi has over 17+ years of experience across Life and P&C domains with focus on implementation and business transformation. She brings in in-depth knowledge & expertise in process re-engineering, automation, innovations & creating effective solutions for business needs.

About Us

About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of over 300,000 team members in nearly 50 countries. With its strong 50-year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fueled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering and platforms. The Group reported in 2020 global revenues of €16 billion.

Get The Future You Want | www.capgemini.com

About Majesco

Majesco is the leading software partner to both the P&C and L&A insurance markets to modernize, optimize and innovate their businesses at speed and scale. Over 330 insurers, from greenfields, start-ups and MGAs to the largest insurers, reinsurers and brokers use Majesco's next generation SaaS platform solutions of core, data, and analytics, digital, distribution, absence management and a rich ecosystem marketplace of established and InsurTech partners to build the future of insurance.

Our technology, expertise and leadership help insurers innovate and connect to build the future of their business. With over 825 successful implementations and over 65% of our customers on Cloud with Majesco platform solutions, together we have an amazing track record of innovation and real-world results.

For more details on Majesco, please visit www.majesco.com

To learn more how Capgemini and Majesco add value to our clients' businesses, contact us at:

insurance@capgemini.com or visit www.capgemini.com/majesco



www.capgemini.com | insurance@capgemini.com



www.majesco.com | info@majesco.com