The Group Insurance Post-Pandemic Future

INTRODUCTION

As we pass the two-year mark since the start of the pandemic, group insurers continue to assess the industry's "new normal," and how other forces such as the great resignation and current macroeconomic trends will affect long-term growth. The pandemic and its fallout remain powerful catalysts for industry change as insurers reevaluate strategies to boost momentum and profitability. This Insight will explore some of the challenges and other short-term and longer-term realities that will impact group insurance in 2022 and beyond, and provide some perspectives on the industry's post-pandemic future.

These findings were excerpted from Vitech's recent webinar, "Group Insurance: Refocus on the Future," with panelists David Healy, SVP Group Benefits, Sun Life; Christopher Pyne, Executive Vice President, Group Benefits, UNUM; and Eric Trudel, Executive Vice-President and Leader, Group Insurance, Beneva.

SHORT-TERM REALITIES

Higher Value Perception = Higher Demand

One silver lining of the pandemic is how it has increased the value perception of group insurance. Specific lines that were popular during the pandemic's surge, such as disability and life insurance, remain so while insurance products overall have experienced heightened demand as consumers are more attuned to their health. To keep pace, insurers must adapt to the new face of the workplace, including new delivery systems as working from home becomes more widely accepted. With new delivery systems come advanced technologies for more digitally connected client experiences, especially as new technology players continue to enter the market.

Labor Market Repercussions

The current labor shortage remains a boon for job seekers and hiring managers have recognized the importance of an excellent benefits package to attract and retain talent. While plan sponsors and CFOs remain occupied with organizing hybrid work schedules and dealing with higher salary adjustments to cope with inflation, they are hesitant to switch their current insurance carriers. This "stickiness" creates a huge opportunity for carriers to strengthen their plan sponsor relationships and solidify them with quality prevention and mental health assistance tools to keep employees in good physical and mental condition, while simultaneously controlling disability benefits costs.

Increased Plan Sponsor Expectations

Plan sponsors are asking for enhanced service delivery, including more healthcare self-management tools and enhanced digital self-service. Although the push for digital self-service began before the onset of the pandemic, shelter-in-place orders and social distancing mandates further augmented the need. From an operations perspective, greater automation has become both an expectation and a priority for faster outcomes and wage efficiencies. Automation is also critical for immediate lead response and faster claims processing and resolution.

LONGER-TERM REALITIES

Product Education For All

Greater insurance education for all constituencies has become a long-term necessity as demand for insurance spikes. Millennials in particular have taken the initiative to become more well-versed in insurance coverage choices and products. Many families were left in serious financial straits after the loss of a principal breadwinner who lacked sufficient coverage, and they are looking for ways to protect themselves and their families. With so many important decisions for individuals and families at annual enrollment, it's key that members have all of the facts to make informed and appropriate decisions.

Greater Mental Health Support

As conversations about mental health become less stigmatized, carriers are even more eager to provide longer-term mental health support, along with physical health assistance, to help members. While younger member populations have been particularly vocal about the need for these services, carriers themselves have recognized the value of increased mental health support for member and plan sponsor satisfaction and are eager to take advantage of this service opportunity.

Macroeconomic Effects

While interest rate increases usually concern carriers, benefits are generally not indexed to inflation, which should prevent insurance product and service cost increases. Other high-demand products such as life and long-term disability benefits volumes are based on salary, so higher inflation translates into higher top line. In general, carriers need to be mindful of the long-term macroeconomic effects on the industries they serve, to determine investment returns, future salary and wage pricing, and plan sponsor and member purchasing power.

Advisor Evolution

The established role of the insurance advisor will continue to evolve, especially as digital distribution and self-service become more prevalent. Advisors who can provide value-added information and advice on human capital management platforms and what types of insurance products plan sponsors should invest in for the best outcomes will remain indispensable. Advisors save human resources teams time and effort on mundane tasks like setting up enrollment and have become even more useful as team staffing resources have decreased. Advisors overall still have very critical roles to play, whether in compliance, regulatory policies, or technology

CONCLUSION

To withstand industry headwinds and stay ahead of the curve, insurers know that long-term advanced technology, future-focused partners, and wise budgeting and investments will help them advance and deliver value-added results. Although the effects of the pandemic will reverberate throughout the insurance ecosystem for generations, the industry is still full of opportunity. Its post-pandemic operational upgrades and heightened innovation will usher in a new and exciting chapter in its evolution.

For the accompanying "Group Insurance: Refocus on the Future" webinar, click here.

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