

Executives see challenges but have high expectations for voluntary/worksites market

The voluntary/worksites market has faced plenty of challenges in recent years, from the pandemic and economic instability to rapid technology changes and more stringent regulatory scrutiny. But the industry also has seen a strong rebound with continued growth in sales and stable returns. Those are reasons enough for a strong majority of industry executives to express confidence about the future of the voluntary benefits market, according to Eastbridge's recent "The Voluntary/Worksites Market: An Executive Perspective" Spotlight™ Report. The report, based on an online survey and phone interviews with executives representing at least 35 carriers active in the voluntary/worksites industry, shows leaders are optimistic about the industry looking forward.

Challenges and changes

Executives we surveyed aren't looking at the market through rose-colored glasses: They acknowledge plenty of concerns and potential obstacles to their success. Leading the list is the erosion of profitability due to increasing tech fees and subsidies. This is the top concern for 40% of executives, up from 37% in the previous survey. Interestingly, only 8% of executives surveyed in 2023 expected this to be the most formidable obstacle in the next five years, trailing far behind keeping up with technology at 37%.

Meanwhile, the number expressing concern about regulatory requirements including minimum loss ratios has doubled, from 14% in 2023 to 28% this year. And those naming claims integration at the most formidable obstacle has nearly tripled, from 8% in the previous survey to 23% in 2025.

Executives are less concerned this year about keeping up with technology, but it doesn't exactly get a free pass: It remains the top challenge executives say they'll face in the next five years, although the number ranking it as the top obstacle is down to 28% from 37% two years ago. Regulatory requirement concerns follow in distant second place at 12%, but are up from 8% in 2023.

Threats on the horizon

Executives we surveyed also say they see several threats to the financial viability of their voluntary business, especially competitors who are willing and able to “buy” business through cross-subsidized sales, less underwriting and underpricing. This concern has been prevalent for several years: It’s number one on the list for nearly one-third of executives this year, and is also one of the top three threats executives foresee in the next few years.

Inflation also continues to be a concern for many executives surveyed. About half (52%) say it will have a negative impact on voluntary sales, although nearly as many (48%) say inflation will have a positive or no impact.

Looking ahead, executives say the pressure to increase both commissions and technology fees is by far the biggest threat to the voluntary market, named by 65% of those surveyed. Other threats include pricing pressures due to competition, more intense competition from other carriers for broker business, and growing expectations for transparency and communication about claims and loss ratios.

And one more note about keeping up with technology: Executives are most likely to list tech innovations as one of the most formidable obstacles they face, but 23% also say they’ll be the most common source of competitive advantage in the next five years.

Thinking positive

Despite the challenges they face now and expect in the future, most executives are optimistic about the growth of the voluntary market — both for the industry and for their own companies. According to the comments of those surveyed, this positive outlook is based on the number of employers that still don’t offer and employees who still don’t own voluntary products. It’s also a reflection of their confidence in their investments in product, technology, service and distribution.

Virtually all executives surveyed anticipate continued growth in voluntary sales. More than that, two-thirds expect their own companies to beat the industry average, with compound average growth rates of 8% or more over the next five years, compared to predicted 4% growth for the industry as a whole — and one-quarter of executives expect their sales to grow more than 10%. The survey also shows most executives continue to expect the overall persistency of their voluntary business to remain good or improve, although fewer than in previous studies report their participation levels are trending upward.

The bottom line

The outlook for voluntary business remains lower than before the pandemic, but the survey shows the majority of executives are happy with their company's voluntary growth and profitability, and expect voluntary returns to stay strong in the future. Most also say voluntary returns are better than other business lines and they expect that trend to continue.

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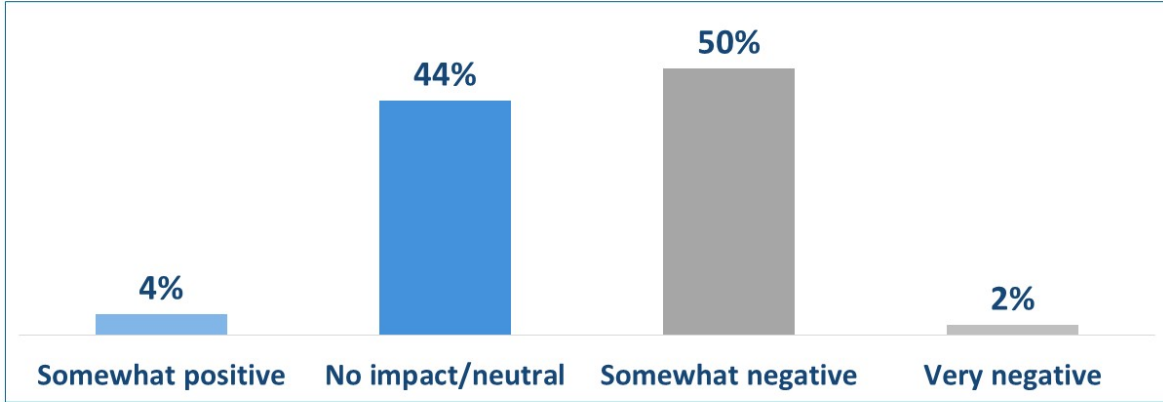
Top challenges facing the voluntary industry



 <p>Tech fees eroding profitability</p>	 <p>Regulatory requirements</p>	 <p>Claims integration development</p>	 <p>Keeping up with technology</p>	 <p>Pressure for higher commissions</p>
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From Eastbridge's "The Voluntary/Worksite Market: An Executive Perspective" Spotlight™ Report

Impact of inflation on voluntary sales



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