

State of the Market: Employee Benefits Summary

Recalibrating for Resiliency

2024 Outlook



Introduction

In 2023, various forces shaped insurance and employee benefits markets in a state of transition, presenting both challenges and opportunities for insurance companies, businesses, and individuals alike.

For the employee benefits space, employers had to orchestrate a delicate balance between cost containment and robust benefits offerings. As a response to these varied conditions, companies and individuals sought ways to respond to the marketplace by transforming the vicissitudes of risk into beacons of opportunity.

So, what is the insurance market signaling at the start of 2024?

What one can always expect from the insurance market is that it will course correct and respond to the global realities that impact all of us in ways that affect the availability and pricing of coverage. Whether it is business insurance, employee benefits, private insurance, or a combination of these needs, you too have the power to remain resilient by recalibrating your approach to risk management with the evolving world and insurance market. As the market changes, you can rely on Baldwin Risk Partner's (BRP) advisor and client experience teams to remain steadfast and dedicated to clients, working in partnership with you to find viable solutions that help protect your now and your future.

Employee Benefits Outlook

Looking back at 2023, both financial and societal trends continued to impact the employee benefits market. From a financial stance, another year of premium increases for health plans pushed employers to their limits, ushering in a renewed focus on cost containment measures that is reshaping decision-making about what benefits they offer employees — and how they pay for them.

As employers look for ways to cut costs without eliminating the healthcare services their employees need, they now appear willing to vet their available options, like switching health insurers or plan designs, to ease the pressure on their budgets and try to avoid another year of rate increases.

Social trends are also reshaping the U.S. workforce and redefining which benefits are now key to recruiting and retaining talent. More diverse and inclusive employee populations combined with a widening skills gap are paving the way for a greater emphasis on lifestyle benefits that can provide added flexibility and equity for all groups in the workplace.

Headed into 2024, we'll help employers understand what benefits strategies and actions they can take to move forward, challenges and opportunities that may be emerging, and how can they continue to control costs without sacrificing employee satisfaction.

A Look at Trends

Impact of inflation and utilization

At renewal, employers saw large rate increases for their medical insurance. With no end in sight to the rising costs, advisors say insurance companies aren't willing to negotiate premiums, and competition is no longer driving better rates for relief.

Growing momentum for self-insurance

Fatigued from dealing with increases, and still facing greater hikes in the coming year, large employers now seem more apt to switch to self-insurance to take advantage of newer models that give employees more control over their healthcare.

Expansion of telehealth

Advances continue to reshape the market. More health services, like dental care and new digital platforms, are further breaking down barriers to access beyond telehealth, making it easier, more convenient, and less cumbersome to get care when and where it's needed – and keep patients more engaged about their health.

Cost-containment for pharmacy benefits

Containing prescription costs remains key for employers. They continue to search for tactics that can help them mitigate future price increases while continuing to provide affordable and adequate insurance coverage for the medications their employees need.

Age-diverse workforce

Employers seem poised to offer new types of benefits that will give each generation what it wants. One emerging trend is the expansion of parental leave policies to include “grandparent” leaves, which gives paid time off to employees at the birth or adoption of a grandchild.

Widening skills gap

While the skills gap continues to widen for U.S. businesses and industries, more recent reports indicate that U.S. employers are likely to leverage different strategies to fill skills gaps and recruit new talent, such as phased retirement for those nearing retirement age and offering consultant positions to retiring workers.

Greater diversity

Employers want to make sure that not only do they offer equal benefits, but that their programs are perceived as equitable. During the most recent open enrollment period, advisors noted increasing requests for specific types of communications targeted to different employee groups (and potential recruits).

Greater emphasis on lifestyle benefits

Advisors we talked to for this update report growing interest from employers to improve overall equity in their benefits program. Conversations center around how they can cover inclusive lifestyle benefits yet still balance current cost issues.

Recalibration of the job market

Although the tech industry shed about 240,000 jobs earlier this year, additional layoffs continued in the sector during Q4 with thousands of cuts announced by companies. During Q4, layoffs also impacted the financial services industry that's facing higher interest rates and lower appetite for mortgage loans and corporate debt.

In Conclusion

The insurance market will continuously shift in search of stability, affecting the options available to buyers. As you recalibrate your approach to the insurance market and look for ways to maximize the value of insurance for your organization, BRP's advisors are ready to help you discover your resiliency and work toward your long-term success. With experience navigating all market conditions, long-standing relationships with insurance companies, access to valuable resources, and expertise across many industries, we stand by our clients as they explore strategies that contain the cost of exposures and find insurance solutions that align with business priorities.

Together, we'll help you make informed insurance purchasing decisions to help protect your business, employees, and family.



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