

Harnessing growth in workforce benefits: the next horizon

2025 Workforce Benefits Study



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Executive summary

The LIMRA-EY 2025 Workforce Benefits Study highlights that employers of all shapes, sizes and sectors continue to face long-standing challenges related to rising medical costs, a diversifying workforce and technology-driven disruption. But new issues and opportunities – including the impact of macroeconomic uncertainty, increased adoption of artificial intelligence (AI) and the need for efficient administration of expanding leave management programs – have also emerged.

Overall, the findings of our latest biannual research show that benefits remain essential in the ongoing competition for talent and for offering a quality workplace experience for employees. Benefits portfolios are, however, rapidly evolving and expanding, a shift that highlights where yesterday's leading practices must give way to more innovative techniques. With core benefits offerings still as important as ever, nontraditional benefits are gaining traction in the market because they are particularly important to younger generations of workers. More options will likely be necessary in the future given that most benefits programs have been designed for baby boomers and Gen X, even though millennials and Gen Z now represent a larger proportion of the workforce.

Employers across industries have done great work in recent years to expand their benefits portfolios with a broader array of employer-paid, contributory and voluntary offerings. However, cost concerns and the inherent challenge of meeting the needs of a diverse and geographically dispersed workforce are

significant constraints. Trends have long pointed to carefully curated benefits programs, with more opportunities for personalization. But it's clear that a "one-size-fits-all" approach to benefits isn't sustainable or relevant for a multigenerational workforce. Very few, if any, employers have the technology (or budget) to offer thousands of combinations of benefits and features to thousands of employees.

Our research also shows how the role of brokers continues to evolve and the increasing emphasis on providing strategic advisory services that help employers navigate the complex and ever-changing landscape. This ongoing shift illustrates the dynamic nature of today's workforce benefits market. Continued broker consolidation, however, may have unintended consequences. Our findings suggest that localized innovation could be stifled due to centralization and smaller employers may be left underserved. Consolidation may also allow newer entrants, general agencies (GAs) and professional employer organizations (PEOs) to win more market share.

At the same time, there are significant opportunities for AI – including generative AI (GenAI) and agentic AI – to streamline processes, enhance employee education and awareness, improve low benefits utilization rates and automate decision-making. Improvements in these areas will increase the relevance of benefits, which is an important goal for all market stakeholders.

About our 2025 Workforce Benefits Study: To explore the current state and future evolution of the workforce benefits market, LIMRA and Ernst & Young LLP (EY US) surveyed 800 US employers representing a cross section of industries, geographies and organizational sizes. The sample was weighted to represent the total population of US employers with at least 10 employees and that offer insurance benefits. We also surveyed approximately 2,000 US workers, with balanced representation across age, gender, income, race and region, weighted to represent the demographics of the US working population. Additionally, we interviewed 12 leaders from large brokerage houses and general agencies.

| What's new this year

Every year, our results are subject to broader macroeconomic conditions and employment trends. This year is no exception. Just as the COVID-19 pandemic and shift to remote working shaped our 2021 and 2023 studies, the latest edition reflects broader questions about the economy and employment landscape. Current conditions have only become more uncertain since the research was completed in early 2025. The long-awaited generational tipping point has also arrived and is reshaping the labor force: There are now more Gen Z employees than baby boomers in the workforce, and millennials comprise the largest proportion of the overall employee base.

Technology advancement and disruption are perennial themes. But AI has dramatically raised the stakes for all stakeholders, who are waiting for major impacts in the future. Concerns about data privacy, regulation and cost appear to be the primary barriers to faster and broader adoption. While this year's findings represent a continuation of some trends from the past, the rapidly changing distribution landscape and the increased complexity of absence and leave management benefits have emerged as major pain points impacting and further complicating the benefits landscape. There is clear demand for new approaches and solutions in these areas.

THIS YEAR'S KEY FINDINGS:

- | | | |
|-----------|--|--|
| 01 | Workforce benefits remain at the heart of the employee value proposition – and expectations continue to rise. | Holistic solutions, curated benefits programs and AI tools for hyper-personalization will win the future. |
| 02 | The generational tipping point has made wellness benefits a must-have. | Gen Z and millennials are now a larger proportion of the workforce. Lifestyle bundles and connected experiences are key to unlocking value and satisfying workers with diverse needs, particularly younger employees. |
| 03 | Employer focus on economic value of benefits programs is driving fundamental changes in brokers' roles. | Brokers increasingly serve as strategic advisors and providers of data-driven insights. But talent availability and capability are becoming critical constraints. Additionally, ongoing consolidation may have unintended consequences, including less innovation and new competition for underserved segments. |
| 04 | The market is ready for the next generation of absence/leave management services. | The combination of expanding leave benefits with increasingly complex regulation, compliance challenges, process inefficiencies and a lack of key capabilities creates the potential for "absence and leave mismanagement." There is, however, significant opportunity for reliable, scalable plug-and-play solutions. |
| 05 | There's no stopping the digital revolution – especially as AI gains traction and further evolves. | Claims journeys are the top priority for further digitization. With AI still in exploratory and experimentation modes, firms will take a "crawl-walk-run" approach. |

Key finding 1

Workforce benefits remain at the heart of the employee value proposition – and expectations continue to rise.

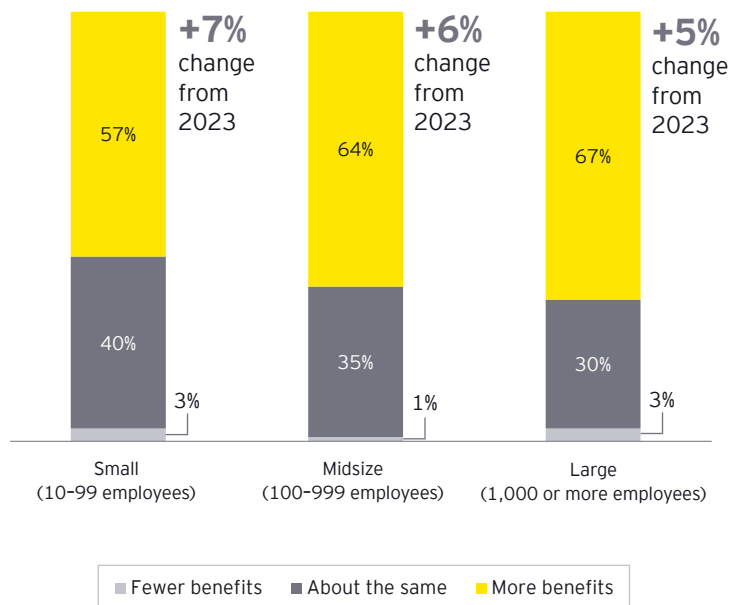
All industry stakeholders recognize the value of benefits and their power to attract and retain workers in what remains a tight labor market. Similarly, the value of a fully engaged, happy, healthy and productive workforce is well understood. So, it's no surprise that most employers expect to offer more benefits in the future, according to our findings.

Expanding benefits for workers: In a time of widespread economic uncertainty and high inflation combined with a workforce that features five generations, workers' continued reliance on benefits and their rising interest in more options is to be expected. Much like the experiences offered by other sectors, employees are looking for more flexibility and control in choosing the benefits that are right for their unique lifestyles and situations. Thus, there's every reason to believe benefits will only get more important to companies looking to attract and retain the workers they need to succeed. Our results show that the future workforce will require more freelance and gig workers, who are also increasingly interested in accessing benefits. See *sidebar*.

An overwhelming majority of employers – 84% overall and 95% of large employers – feel that benefits are necessary to attract key talent. More than half (57%) of small employers and 67% of large organizations expect to offer more benefits in the future. See *Figure 1*.

Figure 1
Companies plan to offer more benefits in five years.

QUESTION: In five years, do you think your company will be offering fewer, the same or more benefits than it does now?



With the gig economy stabilizing post-pandemic, growth and innovation opportunities remain.

Our results reflect the ongoing evolution of the gig economy and nontraditional work arrangements, including the declining impacts of the pandemic's major labor disruptions and related trends (e.g., quiet quitting, the Great Resignation). Fewer workers in this year's survey (23%) say they have a freelance or gig job than said so in the last survey (34%). See *Figure 2*. Gen Z remains the generation most involved with the gig economy: 37% of these young workers have a gig or freelance job today, and many could see such work as their primary source of income in the next five years.

To be clear, gig isn't going away: 42% of those survey respondents (and 59% of Gen Z) who do not currently have freelance or gig jobs say they'd be interested in having one in the next five years.

Given the current economic uncertainties, large majorities of employers – 65% of all employers and 88% of large employers – currently use freelancers and other

nontraditional workers. And they plan to rely on them to a greater extent in the future as a flexible option in the continued struggle for talent: 77% of employers and 93% of large employers expect to use freelance labor in the next five years. See *Figure 3*.

Based on this growth, 61% of employers surveyed stated they would consider offering benefits to attract and retain this group of freelance workers. There are, however, potential risks and barriers to adoption, including regulatory oversight regarding how employers classify workers (e.g., W-2 vs. 1099). Industry observers are watching developments related to California Assembly Bill 5 and other states' laws regarding worker classification for insights into future usage of gig and freelance workers.

The benefits gap for gig workers: While freelance and gig workers are largely on their own when it comes to benefits, they are certainly interested in obtaining insurance, retirement savings and other benefits offerings. For employers or carriers to bridge the gap, changes in product design and eligibility and a purpose-built digital marketplace could unlock new possibilities, assuming legal and regulatory questions are resolved.

Figure 2

Worker participation in the gig economy is trending downward.

QUESTION: Instead of (or in addition to) working for a traditional employer (also known as being a W-2 employee), some workers pursue freelance or "gig" work. Which of the following best describes your current work arrangement?

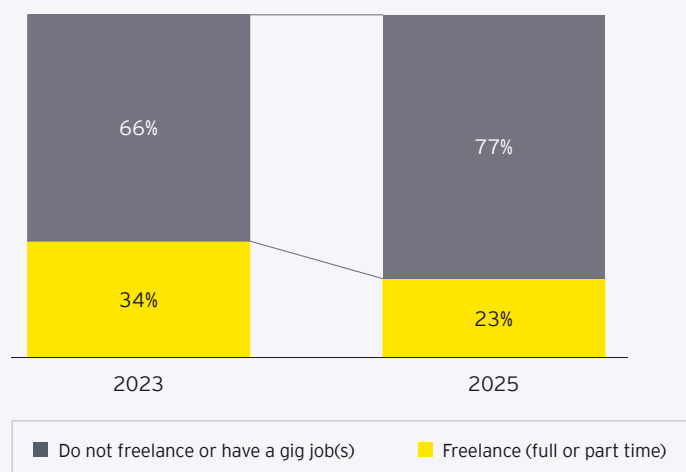
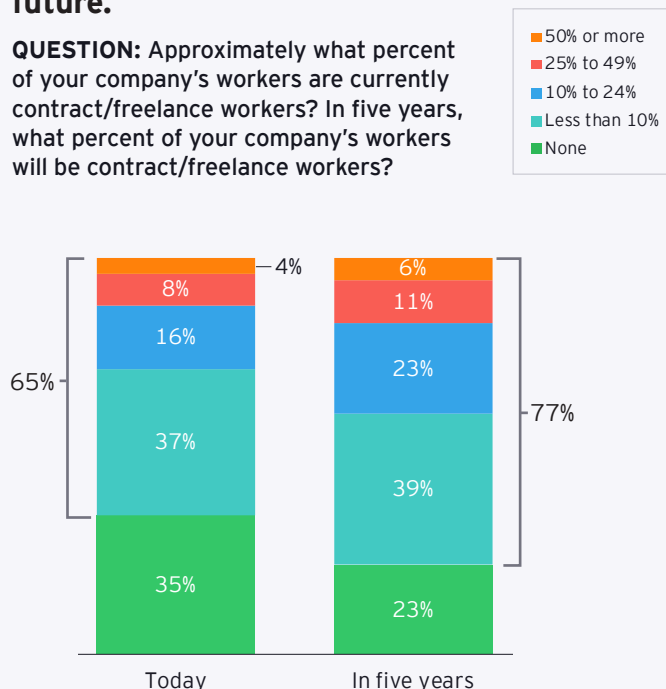


Figure 3

Employers expect to use more freelance workers in the future.

QUESTION: Approximately what percent of your company's workers are currently contract/freelance workers? In five years, what percent of your company's workers will be contract/freelance workers?



Challenges in expanding benefits portfolios: While there is desire to offer benefits to more workers, employers are challenged by significant barriers to further expansion. Our survey respondents cited the cost of benefits packages as their top concern (53%), followed by the related rise in medical costs (46%), multi-generational workforce (32%) and educating employees (29%).

For carriers, the implication is that offering a wide range of products and services in a cost-effective way will be critical in meeting the needs of a multigenerational workforce. Robust support for education, enrollment and utilization will also be necessary to win the market.

Partnering with carriers: Most employers (68%) believe they will work with the same number of carriers in the future. However, as benefits offerings continue to expand, about 30% believe they will need to work with additional carriers. For employers, adding carriers complicates things as it may make it harder to create an integrated and personalized experience for employees.

These changes will enable HR, human capital management and other types of benefits technology platforms to play an even larger and more influential role in the benefits ecosystem and, potentially, drive higher distribution costs.



THE BOTTOM LINE

Our findings confirm that workforce benefits remain at the heart of the employee value proposition and that employee expectations continue to rise. At the same time, senior HR leaders and program managers are looking to demonstrate economic value and tangible returns on every dollar invested in benefits. With more products available and pressure to expand offerings to meet the needs of different generations, effective decision support and AI tools for hyper-personalization can help boost participation and, most importantly, increase employee satisfaction and retention.

Key finding 2

The generational tipping point has made wellness benefits a must-have.

Our results show that traditional benefits remain the core of employers' offerings – table stakes, in other words. In a time of great uncertainty, employees and employers agree on the need for more holistic wellbeing, including physical, mental, financial, professional and societal wellness. Our 2023 study introduced the Wheel of Wellness, a new framework for employers and benefits providers to view their strategies in a changing environment. Our 2025 research reconfirms significant interest in a wide range of benefits, reflecting diversifying workforce demographics and other workplace trends. Indeed, rising interest in many different types of benefits reflects the generational tipping point that has taken place in the labor force.

As of 2024, Gen Z workers outnumber baby boomers, with millennials representing the largest generational cohort in the workforce. By 2030, Gen Z workers will account for more than 30% of the workforce, according to the U.S. Bureau of Labor Statistics.

Share of the U.S. labor force, by generation

36%

Millennials

31%

Gen X

18%

Gen Z

15%

Baby boomers

1%

Silent Generation

Source: "[Changes in the U.S. Labor Supply](#)" Trendlines, U.S. Department of Labor, Employment and Training Administration, August 2024.

Our employer and employee surveys provide both a gauge of current product interest and insight into future trends. See *Figures 4 and 5*. First and foremost, the continued rise in medical costs is prompting a "back-to-basics" mindset among both employers and employees; medical, dental and vision all show higher interest when compared with our 2023 survey. These are high utilization benefits, so it is clear that their importance remains high. Some ancillary benefits and services, particularly those addressing financial wellness (e.g., debt management, student loan assistance, legal services) have seen a decline in interest among employers.

Figure 4

Employers see a need for total wellbeing.

QUESTION: Five years from now, how interested do you think your employees will be in the following types of benefits?

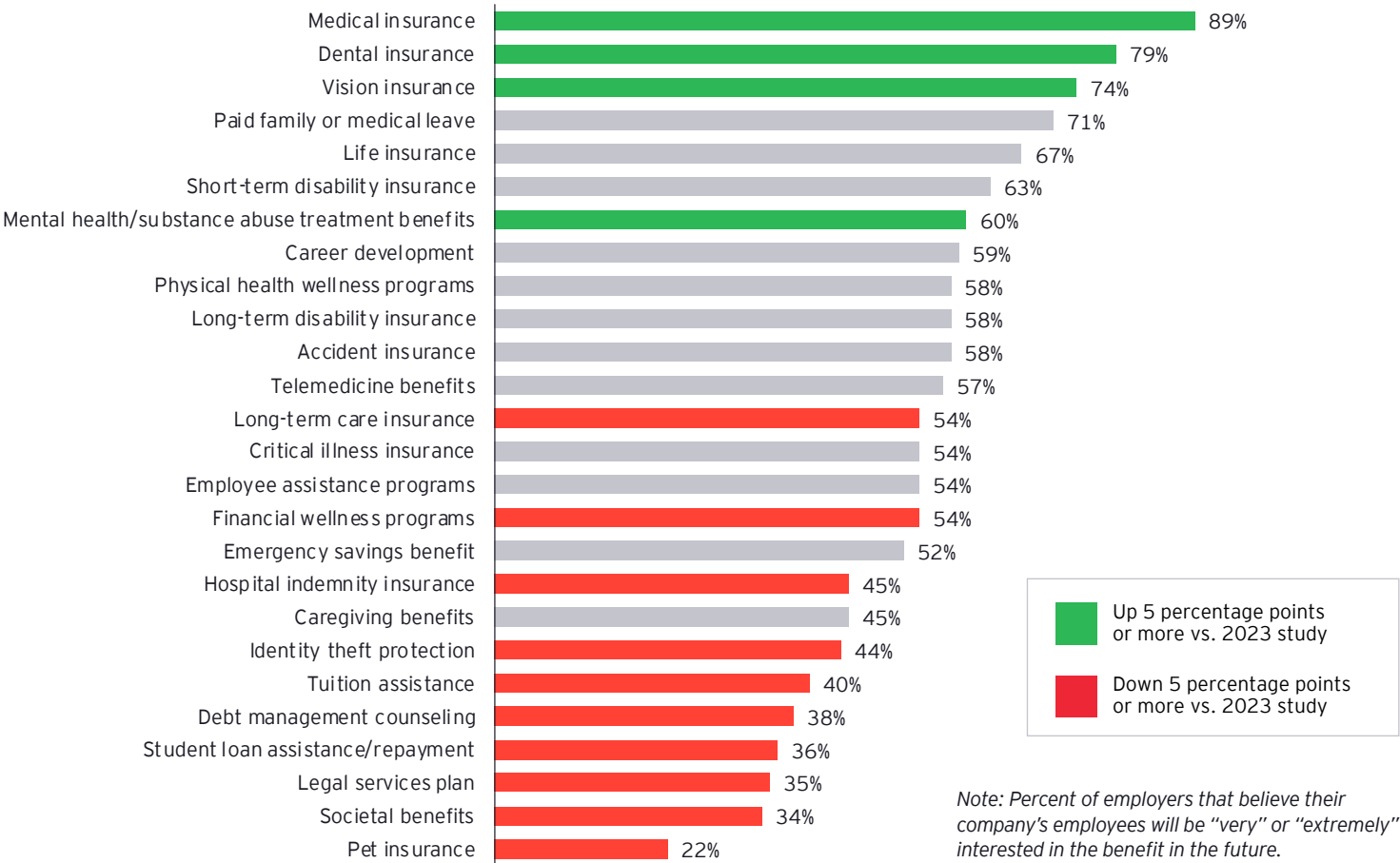
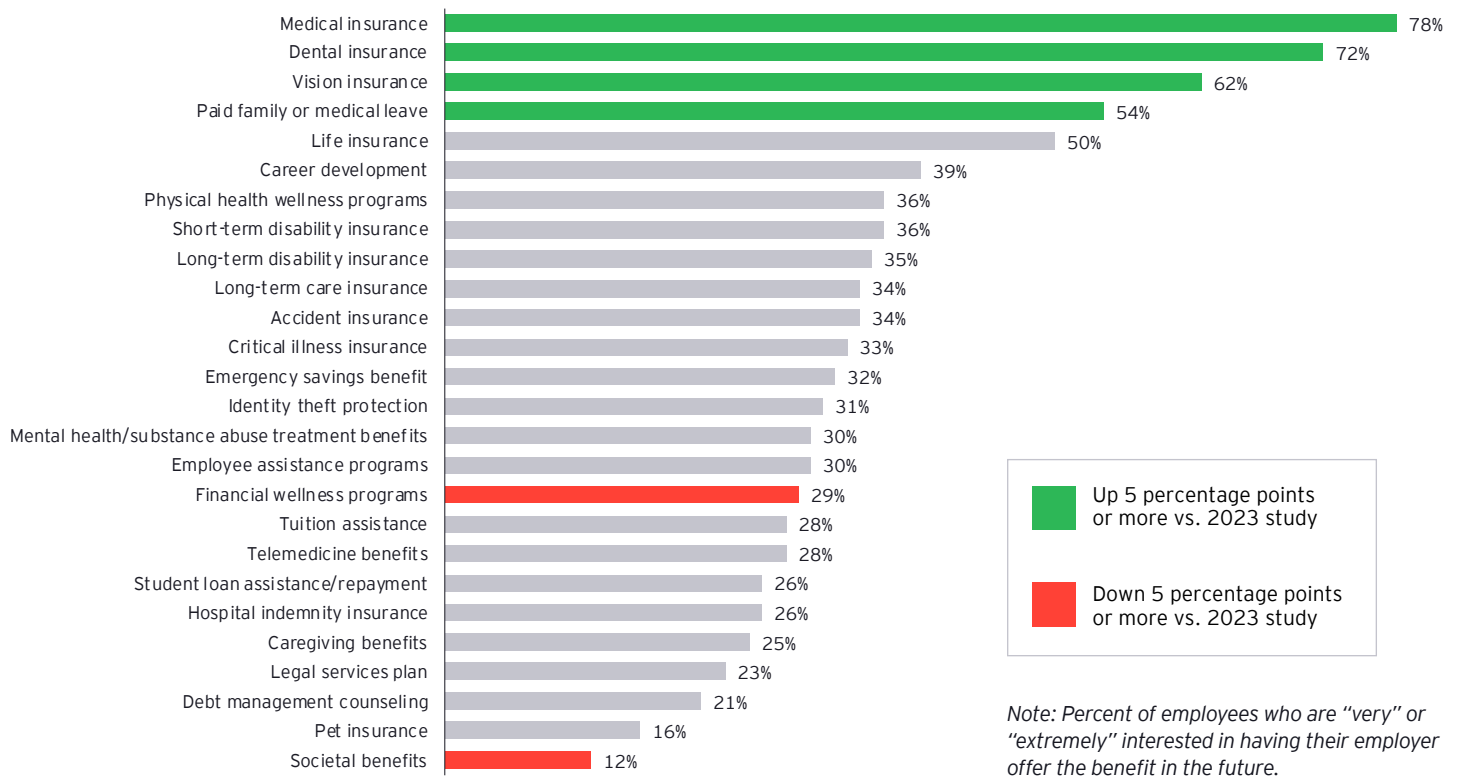


Figure 5
Employees value a range of benefit offerings.

QUESTION: Regardless of whether the benefit is currently available to you at work, how interested would you be in having your employer offer it in the future?



Paid family or medical leave now in the “core four”: More interesting, however, is that paid family or medical leave is the next most important benefit in employers’ minds beyond medical, dental and vision insurance: 71% of all employers (and 80% of large employers) view it as a critical benefit in the future, nearly on par with dental and vision insurance and above life, disability and supplemental health insurance. Paid family or medical leave is now clearly in the core four of benefits in the eyes of both employers and employees. See *Key finding 4* for more on leave benefits.

Prioritizing wellness: Mental health and substance abuse programs are of considerable interest to employees, especially the younger generations that are coming to dominate the workforce. Career development services that promote professional wellbeing are also of high interest to younger workers. Clear majorities of employers are expressing interest in mental health (60%) and career development (59%) benefits, while nearly as many see a need for programs focused on physical health and

financial wellness. As employers take a more holistic view of individual needs across a multigenerational workforce, wellness benefits can help attract and retain top talent. They can be especially valuable for individuals facing personal challenges in a time of great uncertainty.

Interest in long-term care insurance remains relevant, with the growing retirement-eligible population ranking it as important as critical illness and more important than hospital indemnity insurance. Long-term care can be provided as a stand-alone insurance benefit, a life insurance accelerated benefit or a long-term care rider added to a workplace life insurance product.

Differing generational priorities: The dramatic differences in benefits interest across generations highlight the challenges faced by employers and the need for future portfolio refinements. See *Figure 6*. Today’s products and services are largely curated for Gen X and baby boomers, though Gen Z and millennials now make up the greater percentage of the workforce.



Figure 6
Employee interest in benefits varies across generations.

QUESTION: Regardless of whether the benefit is currently available to you at work, how interested would you be in having your employer offer it in the future?

| | Gen Z | Millennials | Gen X | Baby boomers |
|---|-------|-------------|-------|--------------|
| Medical insurance | 67% | 75% | 86% | 80% |
| Dental insurance | 61% | 72% | 76% | 74% |
| Vision insurance | 50% | 61% | 69% | 63% |
| Paid family or medical leave | 54% | 57% | 54% | 43% |
| Life insurance | 48% | 52% | 53% | 40% |
| Career development | 40% | 46% | 37% | 25% |
| Physical health wellness programs | 39% | 39% | 34% | 32% |
| Short-term disability insurance | 24% | 35% | 41% | 37% |
| Long-term disability insurance | 22% | 35% | 40% | 41% |
| Long-term care insurance | 30% | 31% | 36% | 42% |
| Accident insurance | 39% | 34% | 33% | 32% |
| Critical illness insurance | 29% | 33% | 34% | 33% |
| Emergency savings benefit | 41% | 34% | 30% | 18% |
| Identity theft protection | 37% | 31% | 27% | 32% |
| Mental health or substance abuse treatment benefits | 45% | 33% | 24% | 19% |
| Employee assistance programs | 28% | 36% | 28% | 19% |
| Financial wellness programs | 36% | 33% | 26% | 17% |
| Telemedicine benefits | 31% | 29% | 30% | 20% |
| Tuition assistance | 40% | 32% | 24% | 11% |
| Student loan assistance/repayment | 41% | 32% | 19% | 7% |
| Hospital indemnity insurance | 30% | 24% | 27% | 24% |
| Caregiving benefits | 30% | 27% | 20% | 22% |
| Legal services plan | 24% | 26% | 21% | 19% |
| Debt management counseling | 34% | 24% | 17% | 9% |
| Pet insurance | 23% | 19% | 12% | 9% |
| Societal benefits | 22% | 15% | 9% | 4% |



Note: Percent of employees who are “very” or “extremely” interested in having their employer offer the benefit in the future.



Paid family or medical leave or other paid leaves are notable for being of interest to all generations, albeit for different reasons. Younger workers may want leave when they are starting families, while older workers may seek leave when they need to handle caregiving responsibilities for aging parents or grandchildren.

Career development is of particular interest to Gen X, millennials and Gen Z. As AI and other technologies change the employment landscape, many workers are concerned about the impact on their jobs, which helps explain why upskilling, reskilling, and other training and development are becoming more important. Mental health and substance abuse treatment is a higher priority for younger workers, though interest remains significant as employees age. Emergency savings benefits are most relevant to

Gen Z, according to our findings, and interest in student loan assistance also skews toward younger workers.

The value of a holistic approach: Rising costs and limited benefits uptake are challenges for many employers, largely because employees often focus on medical, dental and vision insurance with their limited discretionary income. With demographic diversity on the rise, employers may look to generational bundles, voluntary benefits and more flexible options to meet the unique needs of different cohorts. Such offerings can also help boost benefits utilization. A holistic model for plan design, such as the LIMRA-EY Wheel of Wellness, can help employers offer benefits that satisfy the diverse needs of multiple generations of workers.

| The LIMRA-EY Wheel of Wellness

Focused on five key dimensions of health, the LIMRA-EY Wheel of Wellness can help organizations build a happier, healthier, more productive and financially secure workforce.



Brokers' views on the rising demand for wellness benefits and the importance of driving utilization

“

Platforms that are winning are not just helping employees choose benefits but also helping them use benefits.

“

We need to stop adding additional coverages with low benefits utilization and shift to adding conditions that drive higher utilization.

“

The industry needs to meet the new desire for lifestyle and wellness.

THE BOTTOM LINE

Our findings confirm that wellness benefits have become a must-have across the multigenerational workforce. By helping create holistic strategies and connected experiences, the Wheel of Wellness can unlock real value and satisfy workers with diverse needs.



Key finding 3

Employer focus on economic value is driving fundamental changes in brokers' roles.

Brokers have long played an essential role in the workforce benefits sector, but the nature of the work they do is evolving. Still, brokers will remain the backbone of workforce benefits distribution, even as market forces reshape their relationships with other influential players.

Brokers are increasingly being relied on more as strategic advisors and consultants. Those that can facilitate and support data-driven, ROI-based decisions in the face of higher costs, intensifying regulation, rising employee expectations and diversifying product portfolios will be best positioned for future success, particularly in terms of designing holistic benefits programs.

A hyper-focus on value and data: Nearly three-quarters (71%) of employers are looking for data and information on what employees want. Cost trends, benefits participation rates and utilization trends are the next most critical information that employers are seeking. See Figure 7. Brokers are interested in delivering this data to clients but may be reliant on carriers to provide it. As one told us, "Brokers are hungry and desperate for data. And the carriers have it, and they're not using it. So, the number one thing a carrier can do to differentiate themselves is create a reporting package that is fully transparent."

Figure 7

Employers are seeking a wide array of data as input into their decision-making.

QUESTION: What are the top three most important types of data considered when making decisions about the design of your benefits program?

Percent of employers and the data they seek

71%

Information on what employees want

61%

Cost trends

59%

Participation rates

43%

Utilization rates

36%

Employee demographics

30%

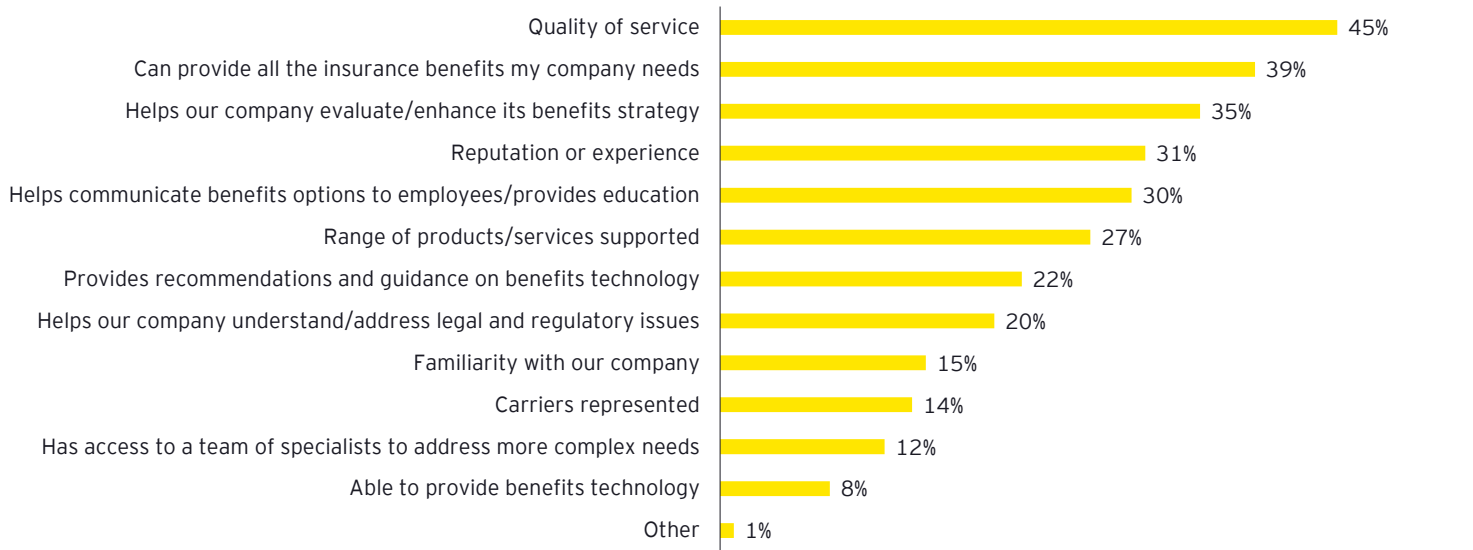
What similar companies offer

Represents the percent of employers ranking items among their top three most important types of data considered when making decisions about the design of benefits programs.

In selecting brokers, employers focus on the quality of service provided (cited by 45% of survey respondents), brokers' ability to provide holistic insurance coverage (39%) and enhanced benefits strategies (35%). See Figure 8.

Figure 8
Employers choose brokers based on quality service, enhanced strategies and access to benefits.

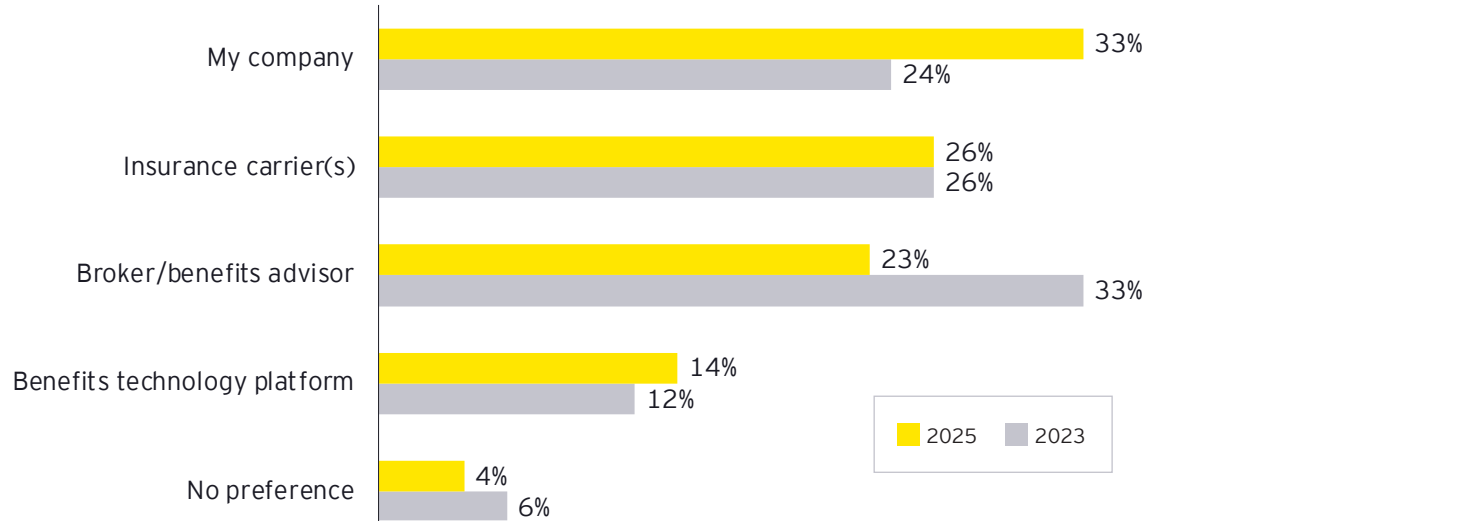
QUESTION: What are the most important factors your company considers when choosing a broker/benefits advisor to work with for insurance benefits?



With more products and services available and participation rates low for some benefits, employee education about relevant benefits grows even more important. The question of who should own benefits awareness and education is a “jump ball”; more employers are taking the lead in providing the necessary support. But larger firms are slightly more likely to say that benefits technology firms and platform providers should offer this support, with smaller and midsize firms more likely to look to carriers to handle education and awareness. Regardless, this dynamic has existed for many years, and we do not see anything changing over the planning horizon. See Figure 9.

Figure 9
Employer opinions are mixed about primary responsibility for education and awareness that employees need to make confident enrollment decisions.

QUESTION: Who do you think should be primarily accountable for providing the education and awareness needed for employees to make confident enrollment decisions?



The implications of broker consolidation: The consolidation of brokerage firms has been a hot topic in the market for several years. Today, there is growing recognition of unintended consequences. For instance, localized innovation and creativity may be stifled if smaller brokerage firms are acquired by larger shops with standardized processes.

Another potential risk is that increased emphasis on the largest employers will cause small and potentially midsize businesses to receive less attention and lower service levels. This may open the door even more for general agencies and potential new entrants to expand their market presence. As more entities enter the benefits ecosystem, the competitive landscape will continue to evolve, with shifting power dynamics around benefits delivery.

Consolidation and changes in brokers' operating models are often driven by a talent gap; many brokers are challenged to recruit the right balance of client relationship skills, industry domain knowledge and technical skills. Flexible work arrangements, new compensation structures and strong cultures are among the ways brokers cited they seek to attract and retain talent.

Carriers will be impacted as consolidation continues and broker talent shortages worsen. Their service models may need to align to how brokerage houses are organized, as well as offer potential new compensation models and schedules tailored to younger brokers building their book of business. Mutual trust is needed, too, for carriers to grow together and strengthen relationships with new brokers. At the same time, agentic AI can help augment digital distribution channels and create "right touch" experiences to build and retain trust.

The future of distribution: Brokers are also attuned to

potential changes in distribution. In our interviews, they shared their thoughts on new and growing options and methods. Not surprisingly, brokers remain skeptical about direct-to-employer channels gaining traction, given the expansion into total wellbeing and growing regulatory complexity. Broker opinions are mixed regarding multiple employer plans (MEPs) and pooled employer plans (PEPs), particularly their ability to provide benefits access to small to midsize employers. While MEPs and PEPs have gained traction and seen success in providing retirement and related financial benefits at scale, only some brokers view this model as a potential distribution option for insurance benefits. Broker concerns are likely driven by a lack of familiarity with these models, challenges they may have experienced in health care and the regulations that govern these plans.

Brokers, however, are optimistic on the outlook for individual coverage health reimbursement arrangements (ICHRA) and PEOs, which are viewed as attractive due to their cost effectiveness for employers and their relevance to employees. Brokers do express some trepidation with employers relative to ICHRAs, specifically that businesses see them as potentially disruptive to workers given how dramatic the change would be from existing offerings.

These concerns could delay fundamental shifts in how benefits are offered and limit near-term adoption. Brokers did cite however that it's worth remembering that, historically, employers were reluctant to adopt high-deductible medical plans, which have since become mainstream. Brokers see potential for PEOs to succeed and expand upmarket to penetrate underserved markets. There is recognition, however, that more configurable capabilities to support variability will be needed for them to effectively serve larger employers.

Brokers on future distribution trends

“

I'm hopeful that we'll see more ICHRAs because they are a great opportunity for employers to save money and still effectively deliver benefits.

“

If I could move it to a PEO then I can focus on strategy. We've seen a lot more clients interested in making that move than I would have thought.

THE BOTTOM LINE

The transition of brokers to strategic advisors is likely to continue, with ongoing employer emphasis on economic value. Broker consolidation will create new opportunities for general agencies and other new market entrants, particularly if it undercuts localized innovation and opens the door to engage underserved segments.



Key finding 4

The market is ready for the next generation of absence/leave management services.

Our research shows that the market is now reaching the next horizon of absence and leave management services. But stakeholders are questioning whether current experiences are ready. Rising demand has made paid leave a core four benefit, and the leave types being offered are rapidly multiplying. While employers feel confident about the changes ahead, brokers don't share their optimism, particularly relative to organizational readiness to manage the regulatory and legal complexity.

Carriers must confirm that their offerings and operations are ready to deliver an integrated, frictionless experience, as brokers and employers are adopting a "show me what you have" posture in their conversations with carriers. Our research shows that the growing complexity of the regulatory environment, limited internal resources, the need to improve the customer experience and the expanding number of leave types are driving employer likelihood to outsource more leave management services.

The spike in demand for leave management: Leave management demand is rapidly growing. More businesses are offering additional types of leaves, and 38% of small employers are considering adding absence management. As one broker told us, "I've seen more leave of absence cases in the last 12 months than I've seen in the prior nine years combined."

Both employees and employers indicate strong interest in paid family or medical leave.

92%

of employees would be interested in paid family or medical leave.

38%

of small employers (10-99 employees) are considering offering absence management.

46%

of employers are considering offering company-sponsored paid family/medical leave.

Employees are utilizing these offerings: 38% of employers have seen increases in absences since implementing a mandated paid family/medical leave program. While interest in absence and leave benefits is high, using these programs can be difficult: Only 24% of workers who experienced a leave event found the leave experience “very easy.”

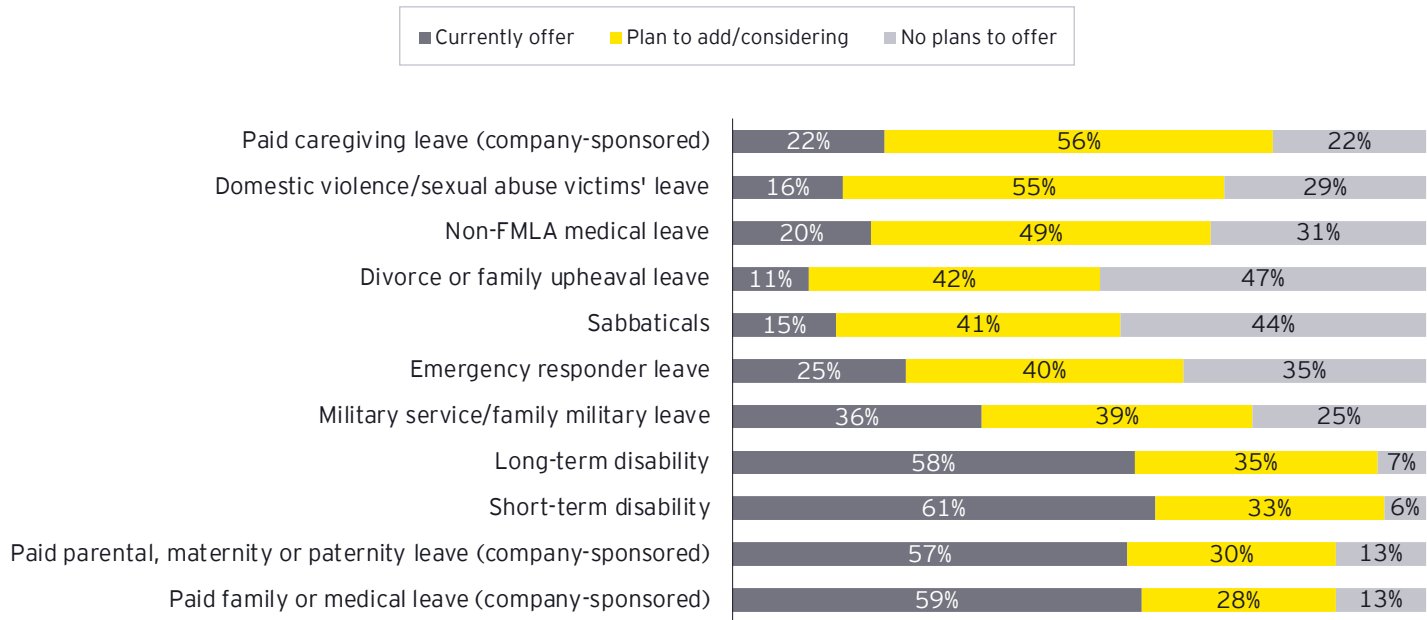
Again, paid family or medical leave is top of mind for many employers. In nearly all states where paid family medical leave is mandated, employers have two options: public state-administered plans and private plans. Fifty-six percent of employers express interest in purchasing insurance to provide voluntary paid family leave coverage, where allowed, as in the model suggested by the National Council of Insurance Legislators (NCOIL).

The ongoing expansion of leave: As long-term disability, short-term disability, parental and maternity leave, and paid family or medical leave offerings all mature, new types of leave have emerged. Employers cited paid caregiving, domestic violence/sexual abuse, non-Family and Medical Leave Act (FMLA) medical, and divorce/family upheaval as the leave types they are most interested in providing for the future. See *Figure 10*.

Today, when provided with a long list of different leave types to offer, midsize and large employers typically say they are planning or considering five to seven types of leave, while 54% of small employers are considering three or more leave offerings in the future. More than a third (37%) of employers are considering changing paid medical leave policies to accommodate intermittent or reduced schedule leaves.

Figure 10
The number and types of leave benefits are expanding.

QUESTION: Does your company currently offer, or plan to offer, the following stand-alone types of leave?



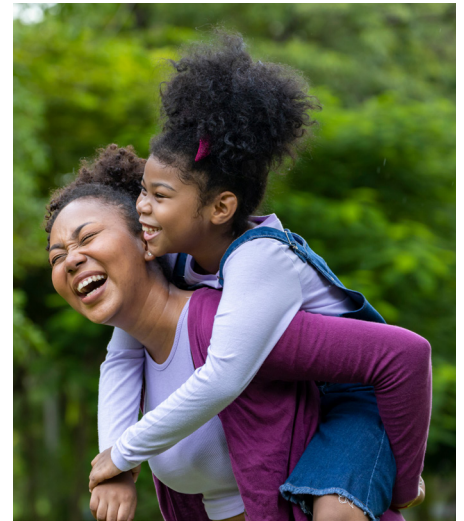
Mismatched confidence levels in the face of regulatory complexity: For all the interest in expanded leave offerings, confidence levels differ across employers and brokers. Currently, 71% of employers are very or extremely confident in their company’s ability to comply with federal, state and local regulations pertaining to employee leaves of absence. Looking ahead, three to five years from now, 76% of employers expect that administering their company’s full leave management program will *not* be a major challenge.

Brokers are less optimistic and warn that employers will struggle because they don’t fully appreciate the complexity of leave administration. “If I am a decentralized employer across many states, I am scratching my head on how I can comply and limit my exposure with the rate of change,” one broker told us. Another suggested that carriers will be challenged by the uniqueness of this product class: “Carriers better have specialization in supporting absence.”

Regulatory fragmentation regarding leave management

The patchwork of rules and requirements for leave management may present significant compliance challenges to many employers. Consider that:

- Ten states (including the District of Columbia) already have paid family and medical leave programs in place.
- Four states will implement such programs in 2026 (Delaware, Minnesota, Maine) or 2028 (Maryland).
- Eight states have voluntary paid family leave programs (NCOIL model).
- Nine states have introduced, but not enacted, legislation during the past several years.
- Eighteen states have laws that mandate paid sick and safe leave programs.



Employer willingness to pay for integrated experiences: As more state-mandated plans are implemented, employers have options: They can choose public plans administered by the state or private/voluntary plans managed by a carrier or other third parties. Employers electing private plans did so to save time and money and to access better experiences. The specific reasons cited by employer respondents were the lighter administrative burden on internal staff (57%), increased cost effectiveness (57%) and the ability to achieve better integration with other employer-sponsored benefits (55%), including disability and other paid leave benefits.

Probing further on the value of integrated experiences, we asked employers whether they prefer:

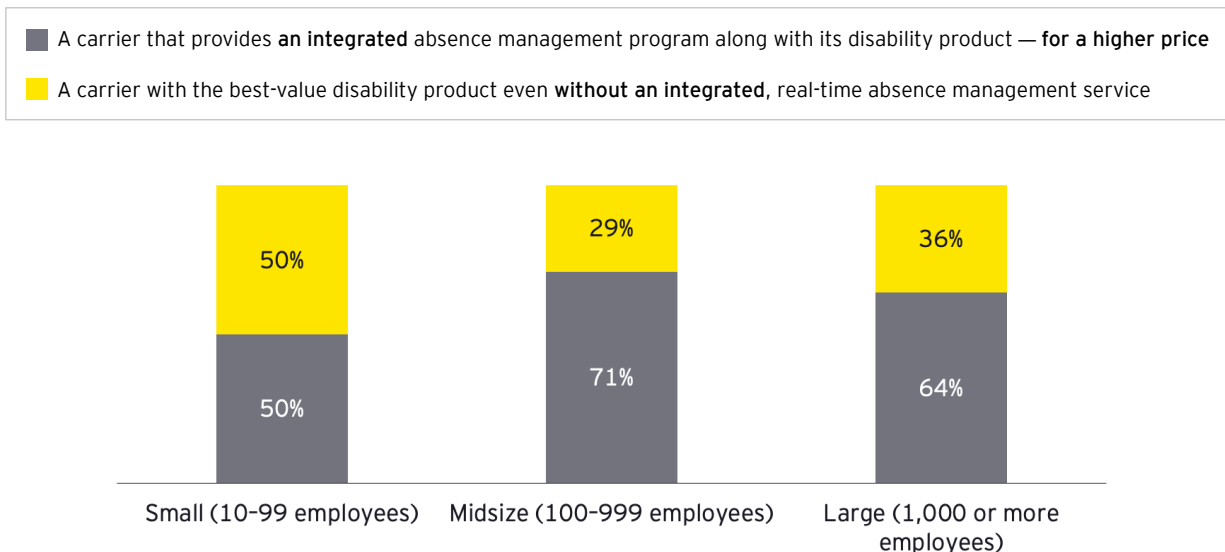
- A carrier that provides an integrated absence management program along with its disability product for a higher price
- Or
- A carrier with the best-value disability product even without an integrated, real-time absence management service

More than two in three midsize and large employers chose the first scenario. Small employers, which are typically more cost conscious, were split 50-50. See *Figure 11*.

Figure 11

In choosing carriers, employers value integrated absence management experiences more than affordability.

QUESTION: Imagine your company was selecting a carrier for a new disability insurance benefit. Which of the following would you choose?



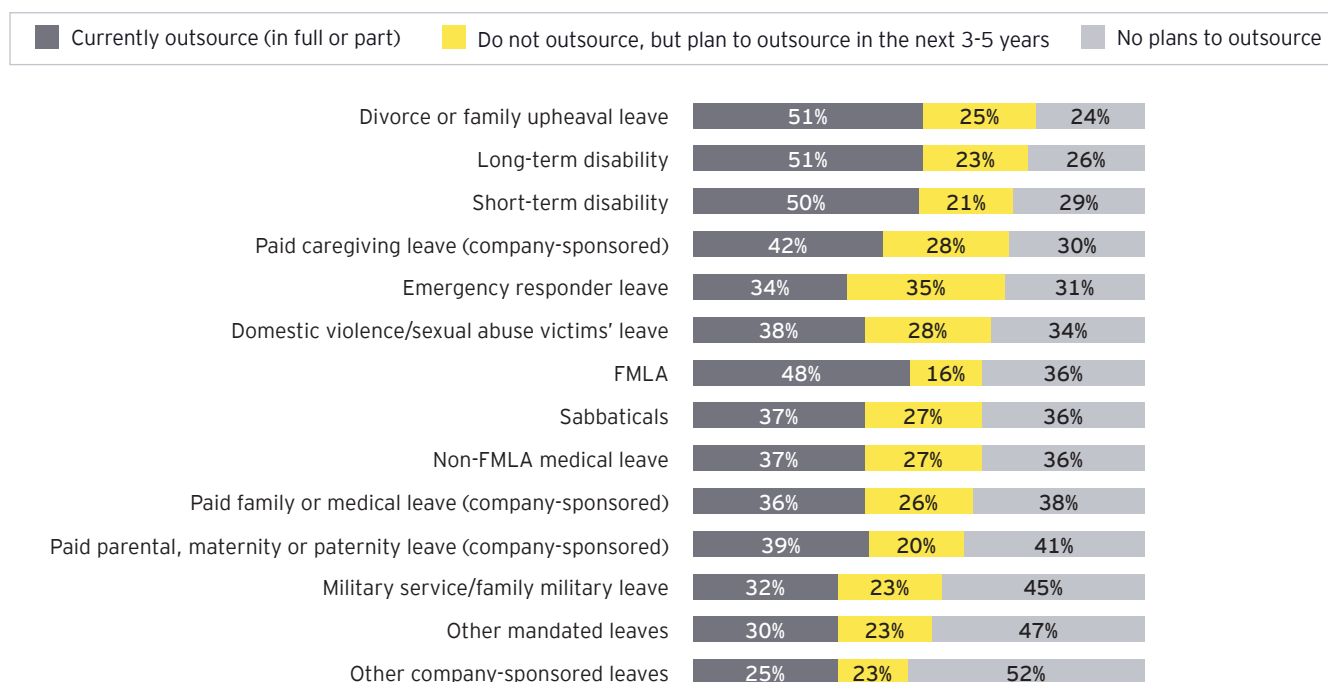


Outsourcing benefits: Today, employers that manage their leave and absence management programs in-house say they do so because it is less expensive (84%), gives them more control (65%) and supports a better employee experience (59%). But as employers face increased complexity and carriers invest in cost-effective and high-impact experiences, we expect to see a rise in outsourced administration of these programs. See *Figure 12*. Firms that are interested in outsourcing see the greatest benefits in navigating the regulatory environment and offering integrated experiences. But carriers must be ready to demonstrate value as more brokers and employers adopt a “show-me” mindset in evaluating their options for administering leave management benefits.

Figure 12

Plans to outsource span the full spectrum of absence offerings.

QUESTION: Does your company currently outsource some or all of the administration for any of the following leaves?



Base: Employers offering each respective leave.

What matters to employers when selecting an outsourcing provider

38%

Supports compliance and regulatory changes

38%

Integrates with current HR systems

37%

Issues payments directly to employees

35%

Offers employees multichannel communications

35%

Coordinates different leaves and benefits and tracks intermittent leaves

31%

Offers an integrated single portal

From the perspective of brokers, capabilities and integrated experiences are the biggest difference makers. “Some of the newer solutions are winning because they’re not built on legacy platforms. I think the carrier that has a legacy solution for leave management will lose if they don’t transform it into a modern platform,” said one broker we interviewed. Another believed that “seamless communication between [employers and employees] is a game changer” for effective leave management.

THE BOTTOM LINE

Absence and leave management will continue to be top of mind for employers with components now part of the core four. The next horizon of leave types is emerging, and integrated experiences garner additional value to employers and brokers. Ultimately, all parties want to see proof of the value of these solutions for both employees and employers.





Key finding 5

There's no stopping the digital revolution – especially as AI gains traction and further evolves.

As with other industries, stakeholders in the workforce benefits sector face great pressure to continuously upgrade their technology for increased efficiency, connectivity and engagement. The “digitize or be disrupted” imperative persists despite the real progress many carriers and brokers have made in boosting automation and becoming more tech enabled and data driven. Indeed, employers say they have better digital experiences administering their company's insurance benefits than they do with other companies. See *Figure 13*.

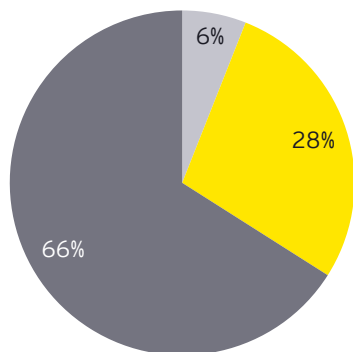
While this is likely influenced by higher volume health care and/or dental experiences, significant investments have been made to improve digital experiences over the past several years. But absence and leave management experiences are becoming more visible to employers. EY research states that roughly one out of ten employees will experience a leave in any 12-month period. The implication for the industry is clear: We better keep up. See *Figure 14*.

Figures 13 and 14

Digital experiences are important, and most stakeholders are delivering a quality experience.

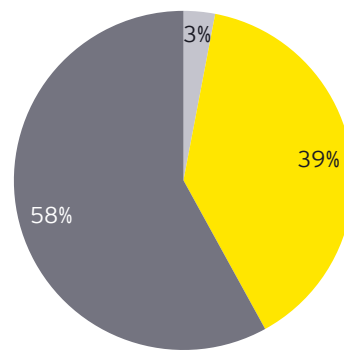
QUESTION: How does the digital experience with administering your company's insurance benefits compare to your experience with other companies?

■ Worse ■ About the same ■ Better



QUESTION: How important is it for the digital experience you have with administering your company's insurance benefits to match your experience with other companies?

■ Not at all/not very important
■ Slightly/somewhat/moderately important
■ Very/extremely important

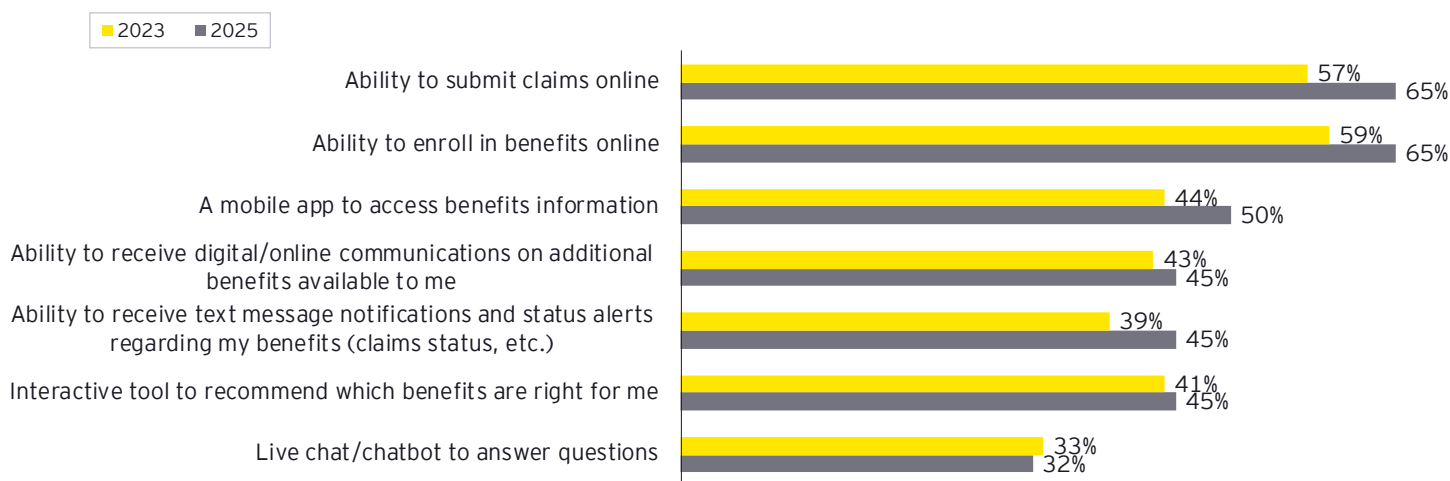


Planning digital enhancements: In addition to pressure from employers and brokers, further enhancements to digital experiences are necessary to satisfy rising employee expectations and new work models. Indeed, employee interest in digital capabilities has widely increased since our 2023 study, with online enrollment and claims submission topping the list, likely driven by continued growth of younger generations in the workforce. Mobile apps and text messaging are particularly appealing to younger workers. See *Figure 15*.

Figure 15

Employees want claims and enrollment processes to be further digitized.

QUESTION: How important is it to have the following digital/online capabilities available to you?



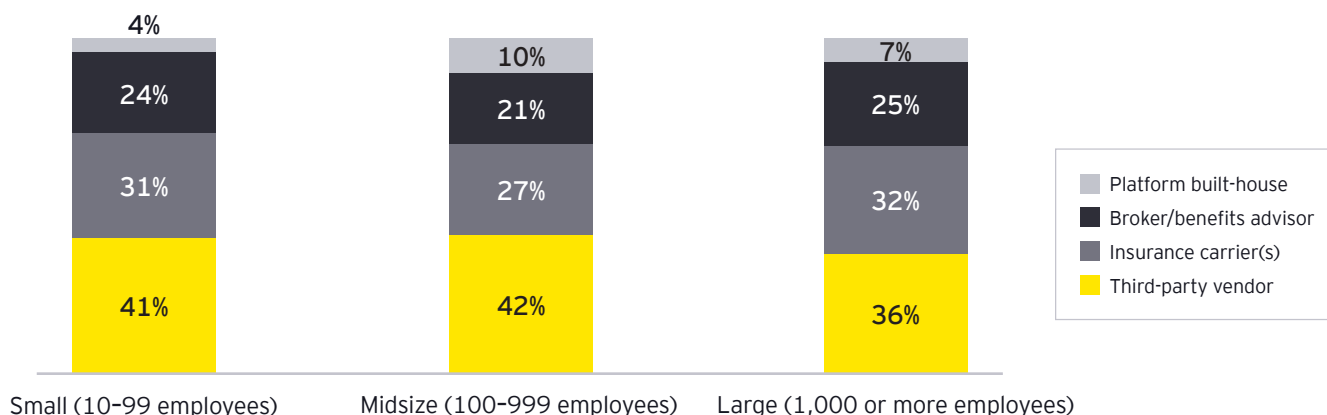
Note: Data represents the percentage of respondents reporting importance as "very much."

In terms of technology source, third-party providers (e.g., benefits platforms, software vendors) were identified as best positioned to deliver the necessary technology to drive digital enhancements. Many employers also see carriers and brokers as viable tech providers, with very low interest levels around in-house or homegrown solutions. See *Figure 16*.

Figure 16

Third-party vendors are best positioned to provide benefits technology.

QUESTION: Which of the following do you feel is best positioned to provide the most important benefits technology for your company's insurance benefits program?

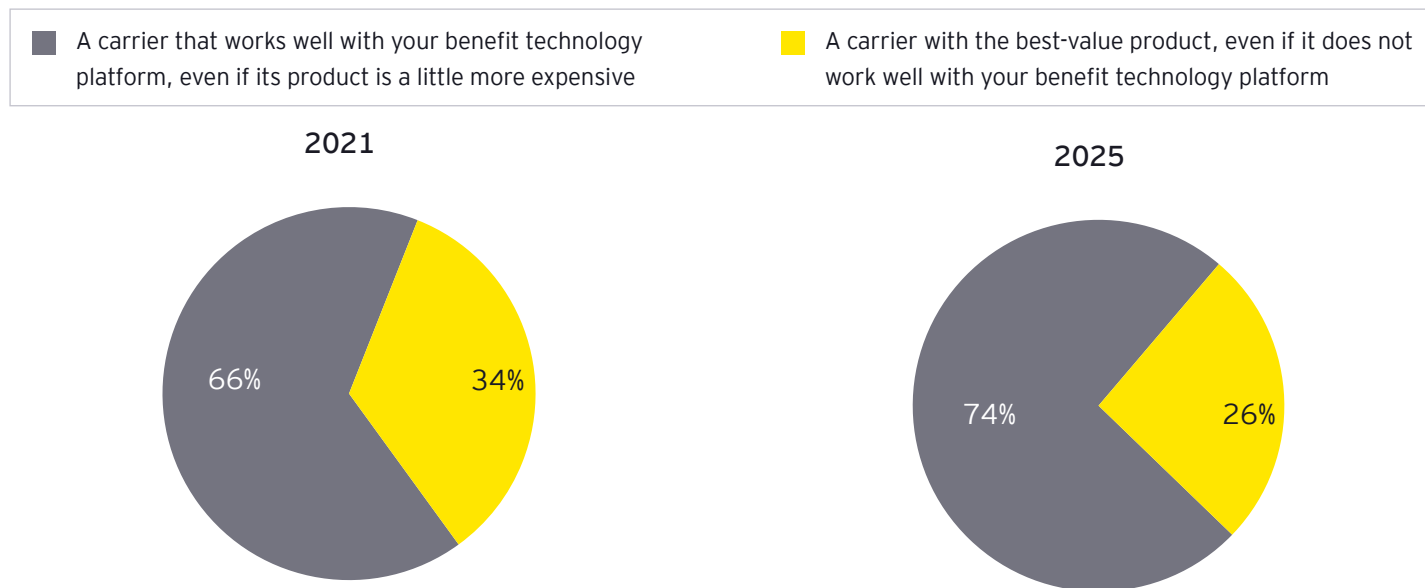


The value of integrated experiences: Beyond process automation, connected and integrated experiences trump price for absence and leave management. The same is true for digital experiences generally. This most recent research shows further evidence of the importance of technology and connected experiences in particular. In 2021, 66% of employers said they preferred carriers that worked well with existing benefits technology to those that offered the best-value product. In 2025, that sentiment has risen to 74%. See Figure 17.

Figure 17

Employers prefer carriers that effectively integrate over low-cost products.

QUESTION: Which would you prefer?



Employer interest in integrated experiences spans the full value chain. Looking at specific capabilities, digital enrollment has matured significantly over the years with the investment in connectivity and application programming interfaces (APIs). In many ways, carriers and other benefits providers are aligned with employers in delivering tech-enabled experiences and end-to-end processes. But employers now see opportunity relative to quoting and implementation. More sophisticated connectivity via APIs can deliver the real-time quoting, self-service features and automated data exchange that many employers would like to see. See Figure 18.

Claims digitization is a must: Claims processes remain the top priority for increased digitization. In fact, four of the five top unmet employer needs are related to claims. Employers are seeking a claims experience that is frictionless, intuitive and fully integrated. Key priorities include enabling same-day claims decisions through enhanced auto-adjudication, proactively notifying employees of eligible benefits by monitoring medical and related claims activity, and streamlining the process by coordinating multiple coverages triggered by a single qualifying event. Claims clearly represents the largest opportunity for the next horizon of technology investment.

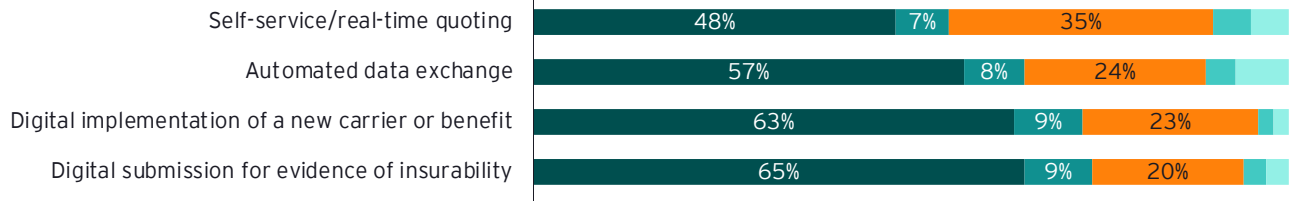
Figure 18

Digital misalignment is most prevalent in claims, quote and implementation processes.

QUESTION: Indicate whether the benefit technology tool is available to you and whether you currently use it or would use it if it were available.

■ Already have and use ■ Already have but do not use ■ Do not have but want ■ Do not have and do not want ■ Don't know

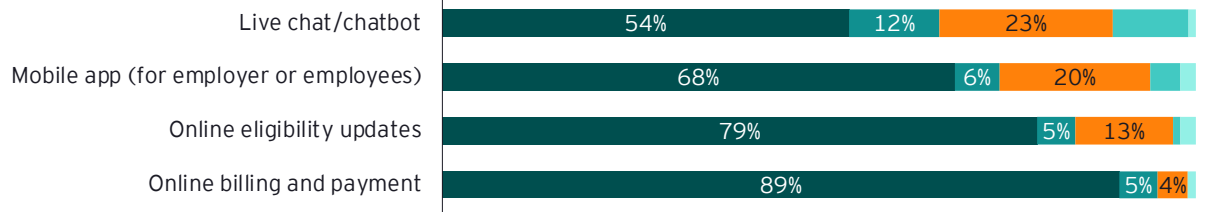
Quote and implementation



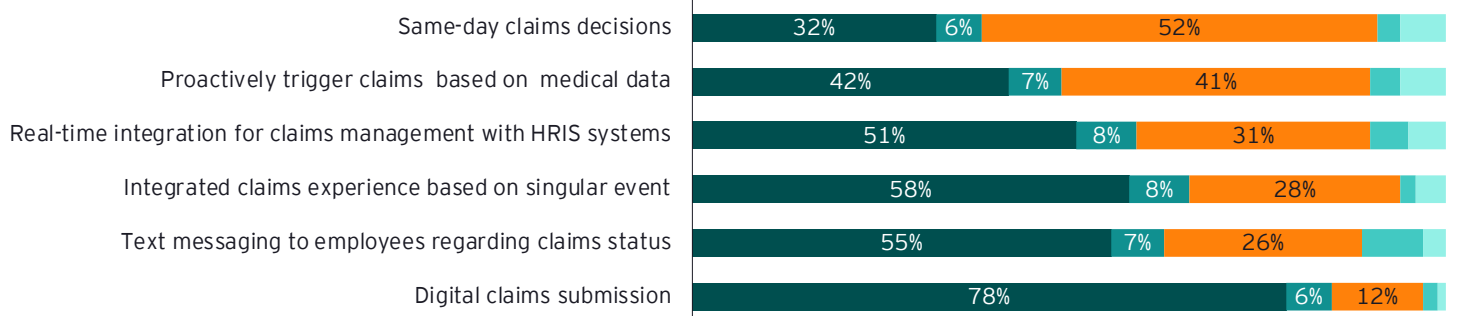
Enrollment



Ongoing service



Claims



AI and the future of benefits: Our broker interviews confirmed that AI will likely be the primary driver of disruption, particularly relative to enrollment. Specifically, AI will drive more personalized recommendations and education. Brokers also recognize the transformative possibilities of AI in underwriting, claims and client service. The rise of agentic AI coupled with new data sources (e.g., genetics, biometrics) will make it easier to more accurately predict outcomes and enable automated decisioning once concerns related to data privacy are resolved.

Brokers on the possibilities of AI

“

Predicting the outcomes will be more precise for the carriers.

“

Understanding the targeted consumer or employee will be a lot easier and quicker.

“

AI should serve the people who serve employees, not necessarily be employee facing.

Based on a recent EY-Parthenon workforce benefits GenAI survey

92%

of group benefits carriers surveyed stated they have dedicated and/or mobilized teams to focus on GenAI initiatives.

46%

of carriers expect AI/GenAI to drive 5%-10% revenue uplift.

62%

of group carriers are deliberately targeting distinct portions of the value chain to drive value.

Source: EY-Parthenon 2024 Group Benefits GenAI Carrier Survey.

Majority of brokers believe AI will drive disruption, but in targeted areas



Sales and distribution



Underwriting



Implementation



Enrollment



Eligibility



Service



Billing and payments



Claims



None/less relevant



Highly relevant

Our interviews also confirmed the usefulness of AI tools across the benefits lifecycle. See *sidebar*. The consensus among brokers is that AI tools will make claims processes faster, with the potential for more accurate and appropriate decision-making and tailored recovery plans. Brokers can also see how AI-enabled bots can perform key service tasks. But they were quick to note that many employees will want to talk to a real person or human agent in key moments that matter like death claims. Therefore, it's critical to design service processes to keep a human in the loop to make the most of AI investments.

Beyond optimizing key processes, there is widespread recognition that AI's biggest contribution to future success

will be in enabling a fully connected and integrated experience. One broker described the big-picture goals as, "shifting the conversation from the basics of claims adjudication to integrating across product portfolios." Another spoke of future possibilities: "AI will be a part of every vendor's playbook to move education from 'what these benefits can be' to 'how do we make this work?' to 'what can we do?'"

As products expand and AI solutions emerge, connected experiences will be critical. "A single front door must be in place to go for everything," observed one broker. "Disconnected experiences will fail in the future."

The many potential uses of AI in workforce benefits

AI can enhance multiple aspects of the benefits lifecycle:

1

Product

- Offerings designed/priced for micro-segments of the workforce
- Ability to quickly create and test next-generation product offerings

2

Distribution

- Ability to leverage data-driven bundling capabilities, materially improving relevancy for employers
- Tools for employers to design purpose-built benefits programs
- Proactive and automated quoting in smaller segments

3

Education

- Immersive experiences focused on demystifying benefits offerings
- Deeper insight into the unique value created across the full Wheel of Wellness

4

Decision support

- Tools designed to help workers build custom, generationally relevant benefits packages for their unique needs
- Answers the question: "What do people like me need?"

5

Service

- AI-enabled digital agents that provide instant simple answers to complex questions
- Real-time adjudication for 90%+ of claims

THE BOTTOM LINE

Like other sectors, the workforce benefits market is seeing significant investment in automation, digitization and integration. Though the industry has made great progress, much work remains. AI will accelerate the digitization journey, provided regulatory questions and other barriers to adoption can be addressed. Claims will remain a critical focus for automation and improvement.



The next horizon: recommended actions for harnessing growth

In this dynamic environment, workforce benefits stakeholders must carefully identify immediate-term priorities considering the inevitable waves of changes to come. Future evolutions will shape the benefits employers offer, how they engage and educate employees so they find the right benefits, and the connections to partners and other stakeholders in the ecosystem. The one constant is the critical importance of benefits in attracting and retaining the talent all types of organizations need to succeed.

To unlock growth, workforce benefits executives should consider the following key actions as they look to the next horizon:

- **Enhance relevance:** Adopt holistic solutions, curated benefits programs and AI tools for hyper-personalization to move beyond one-size-fits-all offerings.
- **Create next-generation offerings:** Explore changes in product design and eligibility and experiment with purpose-built marketplaces to connect freelance workers to the benefits they want.
- **Prepare for generational shifts:** Define generational bundles, flexible features and connected experiences to satisfy different cohorts with diverse needs.
- **Expand channels:** Engage brokers that add value by providing strategic insights, pointing out new distribution channels and making connections to strategic growth partners.
- **Build confidence with absence and leave management:** Experiment with and proactively design new approaches to the administration of absence and leave management benefits with a focus on integrated experiences and leave type expansions.
- **Accelerate digitization and AI adoption:** Continue to leverage AI/agentic AI to redefine processes and experiences, prioritize claims and enrollment, and look to disrupt learning and development.

CONTACTS

LIMRA

Patrick Leary

Corporate Vice President

pleary@limra.com

Kimberly Landry

Associate Research Director

klandry@limra.com

Ron Neyer

Associate Research Director

rneyer@limra.com

Anita Potter

Assistant Vice President

apotter@limra.com

Ernst & Young LLP

Chris Morbelli

EY Americas Life & Group Insurance Transformation Leader

chris.morbelli@ey.com

Judy Ambrose

Managing Director

judy.ambrose@ey.com

Aadil Ikram

Senior Manager

aadil.ikram@ey.com

Madison Stanley

Manager

madison.stanley@ey.com

Jim Kenny

Advisor in Residence

jim.kenny@ey.com

Phil Bruen

Executive Advisor

John Geyer

Executive Advisor



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