

Workers Comp Insurers Face Disruptive Market Shifts After a Decade of Strong Profits: Report

According to a new report, the workers compensation insurance market is facing a convergence of pressures that analysts warn could erode results through 2027, even as the broader property and casualty industry remains flush with capital.

By [Danielle Ling](#) | June 3, 2026



Calif. port workers in Ventura County/Photo Credit: GettyImages

Combined ratios in workers comp have stayed below 100% since 2015 and averaged around 90% over the past decade, an unusually prolonged run of underwriting profitability for a line of business that was deeply troubled as recently as the early 2000s.

But now emerging structural shifts are poised to threaten that streak. That's according to a new report from insurance services company Enlyte. The study documents how a decline in health plan enrollment, Medicaid cuts, healthcare inflation and macroeconomic shifts all are creating new potential headwinds for workers compensation carriers.



William Wilt, Assured

Research

The most immediate challenge stems from the "*One Big Beautiful Bill Act*," signed into law on July 4 last year, which is expected to strip health coverage from millions of Americans.

Estimates from the Congressional Budget Office put that figure at around 11 million individuals who will lack coverage due to the change, with a further 5 million potentially losing *Affordable Care Act* tax credits, according to Enlyte's *2026 Envision Trends Report*.

For workers compensation carriers, the exposure from this trend runs along two tracks: workers without health insurance; and also those pushed onto high-deductible employer plans have historically shown a greater propensity to file workers comp claims. Among individuals in the latter group, there's a high proportion of claims for soft tissue injuries such as sprains and strains, which already account for roughly a third of all work comp claims and costs, the report explains.

A 2019 study by the Workers' Compensation Research Institute (WCRI), mentioned in the report, found statistically significant differences in filing behavior between insured and uninsured workers, concentrated in musculoskeletal injuries.

"If you don't have health insurance, or you're facing a big deductible, and you think it might have happened on the job, you're more likely to report it through workers compensation," said William Wilt, president of insurance consultancy firm Assured Research and a contributor to the report, in an interview with *P&C Specialist Commercial*.

Wilt sees the looming challenges as a departure from the status quo in the workers comp segment. That's because workers comp has largely avoided the natural cycles that most insurance lines go through, allowing it to enjoy consistent underwriting profitability over the past decade.

"The question is whether the ingredients that made this run possible are still in place," Wilt said. The short answer, according to Wilt and Enlyte EVP of corporate strategy and general manager Dave Torrence, is that they are shifting on multiple fronts.

A second big threat is Medicaid funding cuts that could create revenue shortfalls for hospitals and medical professionals who then seek to recover losses through commercial payers, including workers comp and auto casualty insurers, according to both experts.

"There's no such thing as funding cuts and somebody just does with less," said Torrence. "The costs don't go away. They move."

Fee schedules in most states cap what providers can charge, so that movement tends to show up not in price increases but shifts in the mix and volume of care, Wilt explained. It's common to see earlier diagnostic imaging, more frequent use of emergency facilities rather than primary care settings, and higher-complexity billing codes that remain within medical guidelines, he said.

Torrence said the dynamic causes healthcare providers to continuously adapt to the changing reimbursement signals. "They find pockets of compensability and tune to maximize net revenue within allowable guidelines. It's what the system incentivizes," Wilt said.

Meanwhile, a challenge carriers will need to take into account involves the relationship between wages and medical cost inflation. Because workers comp premiums are tied to payroll, they rise naturally with wages while roughly 60% of claim costs track medical expenses. When wage growth outpaces medical inflation, insurers benefit from an implicit rate increase without filing for one.

That gap has been a consistent tailwind, with medical cost inflation running at 2% to 2.5% — well below the mid-single-digit trends many carriers price and reserve for. The wage-medical gap stood at around 1.4% in 2025 and has widened to approximately 2.3% so far in 2026.

Wilt, however, expects that to reverse with a weakening labor market pushing down on wages while aging demographics and healthcare worker shortages push medical costs higher.

"That tailwind very quickly becomes a headwind," he said, arguing the conditions for a shift are more convincing than observed historically.

Considering the Unemployment Threshold

Another shift that insurers must be looking out for concerns an expected uptick in the U.S. unemployment rate.

Assured Research's analysis of workers comp loss ratios dating back to 1973 reveals a consistent pattern: when unemployment reaches approximately 5%, loss ratios tend to rise. The mechanism is counterintuitive — claim volumes fall during downturns, but longer durations, reduced return-to-work opportunities and lower premium volumes more than offset the frequency decline.

The Federal Reserve's median forecast calls for unemployment of 4.4% in 2026. Wilt called that view optimistic, noting Goldman Sachs revised its second-half 2026 GDP growth estimate lower to between 1.25% and 1.75% following geopolitical developments earlier this year.

"The wheels would really have to come off for us to go from 4.4% to 5%," he said. "But a prolonged slow-to-hire, slow-to-fire environment coupled with AI-driven layoffs doesn't seem entirely implausible."

Torrence was careful not to overstate the near-term risk. "I don't see any rapid acceleration of claim severities or costs," he said. "But anytime we're trying to balance a federal budget, it ripples through commercial budgets."

Both experts pointed to claim-level complexity as the place to watch for early warning signs — confounding factors like behavioral health conditions, opioid utilization and comorbidities that can transform an apparently routine soft tissue claim into a prolonged and expensive one.

"The ones that look benign on their face are often the ones where complexity is already built in," Torrence said. "You can identify that early, or you can find out later when it's much more expensive."