



WORKERS COMPENSATION

An aging workforce challenges a reliably profitable line

By Joseph S. Harrington, CPCU

If you are reading this article at work, you may be contributing to a looming loss exposure for workers compensation insurance. That's because chances are good that you are reading this as part of your job duties, and that you are looking down as you read it on a phone, tablet, or laptop computer.

Days and days spent looking down at screens in the home, at work, and in public is contributing to an increase in neck strains and injuries, according to Crystal Jones, assistant vice president and workers compensation manager for Jencap Insurance Services, a wholesale broker. If she's right, someone is going to have to sort out how to allocate the costs of neck sprain arising from job duties from those incurred "off the clock."

Jones also says that a steadily aging workforce is impacting risk for occupational injury across the

economy. While the impact is most notable in occupations requiring physical activity, it's also showing up in office work, as her example of neck strain attests.

Aging workforce

According to Jones, 40% of workers who are covered by workers comp are age 50 and over, and the percentage is growing. Baby boomers and Gen Xers are staying on the job longer, she says, while a substantial share of millennials and younger cohorts prefer "gig-type work" over "your basic 9-to-5 job." Among these younger workers, connection to the labor force and workers comp system is more fluid and conditional than seen in earlier cohorts.

"As older workers stay on, there are more severe injuries," Jones says, noting that Jencap detects more demand for surgeries to repair back and rotator cuffs, and to replace knees. Younger workers "bounce back quicker," she says, but she finds their relative reluctance to enter manual trades to be compounded by employers' demands for work experience.

"Employers expect experienced applicants but provide little or no opportunities to gain that experience," she says.

Frequency down

Despite all that, a decades-long decline in claim frequency outweighed increases in claim severity, according to Becky Barnette, vice president of workers compensation for Berkshire Hathaway GUARD Insurance Companies.

"High turnover in manual trades can elevate risk due to inexperienced workers, inconsistent training, or unfamiliarity with safety practices," she says. "Also, as workers shift from job to job or employer to employer, it may influence claims reporting, which could be contributing to lower claim frequency."

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—Crystal Jones
Assistant Vice President and
Workers Compensation Manager
Jencap Insurance Services



"The construction sector, particularly small contractors, continues to experience declining claims frequency," Barnette adds. "This is happening even though there haven't been fundamental changes in how the work is performed."

So, whatever potential clouds may be on the horizon, conditions are still good in the property/casualty business's most consistently profitable line in recent years.

Rates stable

Last year was "another great year for combined ratios" in workers compensation, says Seth Payton, workers compensation practice leader for Arlington/Roe, a managing general agency and wholesale broker. As a result, Payton anticipates a continuation of premium rate decreases, although at a slower rate.

"Large filed rate decreases of seven percent or more are slowing down," he says. "Many more states are seeing rates decrease in the 1% to 3% range. This leads us to believe the market is starting to flatten out."

Gamble Cuce, workers compensation manager for The Brownyard Group, a program manager for specialty coverage, sees things a little differently, but not by much. "We are seeing gradual change," Cuce says. "Some states are seeking increases

from historically low rates while others are seeking no change or rate reductions. We expect competition to remain strong in 2026."

Barnette agrees: "Lower premiums mean strong competition, especially in small commercial segments."

Workforce impacts

Cuce also encounters some of the workforce issues reported by Jones. One example she cites is security guard companies, a class of business Brownyard specializes in.

"Security guard companies are experiencing higher labor costs, labor shortages, high employee turnover, and a very competitive environment in a line of work that is challenging and risky," she says, adding that "recruiting and retaining qualified employees continues to be a top issue. Higher pay and enhanced benefits and training reduce profit margins."

For his part, Payton finds transportation and temporary staffing accounts among the hardest to place for workers comp coverage.

"Both classes have traditionally been difficult to place but transportation risks have become increasingly difficult," he says. "There are a limited number of markets that write these classes and those carriers have rather strict underwriting guidelines."

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Workers Compensation Practice Leader
Arlington/Roe

More generally, Payton finds carriers to be undertaking more frequent premium audits to account for rapid increases in payroll.

Across state lines

Some workers comp accounts run into difficulty as they grow and take on more business, Payton adds.

“As they grow and expand across state lines, a lot of insureds overlook the impact that has on their workers comp coverage,” he says. “A company may be insured with a regional package writer or monoline comp carrier who can’t support the expansion.

“When accounts then seek to arrange coverage in a new state, they may find the workers comp rates can be three to five times higher or lower. If they have not accounted for this cost properly it will impact their profitability.”

All that said, good conditions in the workers comp market will likely continue to benefit agents and brokers for some time to come, Payton believes.

“Commissions have gone up the last five years,” he says. “The average commission paid for workers comp is now closer to 13% than the traditional 10%. Carriers also push significant new business commissions, paying as high as 25% on some accounts.”

Conditions aren’t quite so good for wholesalers, Payton notes. “For wholesalers, workers comp retentions are difficult. Retail agents can get more accounts placed with direct access markets, particularly by package carriers who will include workers comp to round out an account.”

AI’s impact

Everyone’s wondering what impact the widespread implementation of artificial intelligence will have on our economy and society.

Perhaps nowhere will AI’s impact be greater than in workers compensation insurance, the point where AI-induced changes in occupations will intersect

with the use of AI to underwrite and manage loss control.

“Loss control and claims management are the two biggest areas where we see our carriers using AI,” says Payton. “There are AI applications now that can capture images from a job site and evaluate hazards an insured may not be aware of.

“These observations could be as simple as employees with poor posture or lifting techniques to how they are operating forklifts. If an insured responds, it will see a decrease in claim frequency.

“Claims departments are also using AI to decipher large amounts of medical

records and other claim documentation,” Payton adds. “This helps identify the treatment claimants need more quickly and efficiently, lowers medical costs, and helps the claimant return to work sooner.”

As Cuce sees it, AI is being developed to analyze risks by drawing upon vast amounts of historical claim, premium, and exposure information. It will then be used to “triage and navigate” each claim, in her words.

Barnette reminds risk professionals that AI will supplement, but not displace, human agents. To that end, “GUARD’s early intervention claims model deploys experienced medical professionals on every claim,” she says. “This human touch improves trust, reduces litigation, and supports better medical outcomes.”

From a personal perspective, Jones confesses to being a “control freak.” However, if AI is deployed, “I am the beginning person and the end person on everything that goes out,” she says. That’s not going to change. ■

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Workers Compensation Manager
Brownyard Group



For more information:

Arlington/Roe
arlingtonroe.com

Berkshire Hathaway GUARD Insurance Companies
guard.com

The Brownyard Group
brownyard.com

Jencap Insurance Services
jencapgroup.com

The author

Joseph S. Harrington, CPCU, is an independent business writer specializing in property and casualty insurance coverages and operations. For 21 years, Joe was the communications director for the American Association of Insurance Services (AAIS), a P&C advisory organization. Prior to that, Joe worked in journalism and as a reporter and editor in financial services.