

# 2026 Workers Compensation Market: A Calm Surface, But Hidden Currents Within

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May 2026



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# Workers Compensation Market Overview

## A Calm Surface, but Hidden Currents Within



Alex Fox

In a few days, the NCCI will be releasing its 2025 results in its “State of the Line” presentation. The report is always thought provoking. 2025 results will again show a stable Workers Compensation market. However, the line is starting to drift away from its record profitability levels. We don’t expect many major surprises in the NCCI’s presentation on Tuesday, May 12, but that doesn’t mean that the industry is in for an easy 2026.

In a detailed review of industry results, as well as individual company analysis, Stonybrook Capital and Risk Management is forecasting the 2025 “number” (WC Calendar Year Combined Ratio) to be between the high 80s and low 90s, with a central estimate of 88.

**This would mark 12 consecutive years with a combined ratio under 100%.**

Meanwhile, Stonybrook is forecasting Accident Year results to come in at 100. This is rising from prior years as a result of a number of items, including the continued downward pressure on loss costs. The reduced rates are impacting industrywide premiums, which places upward pressure on loss, as well as expense, ratios, as there are fewer dollars of premium to compare against the dollar costs going out.

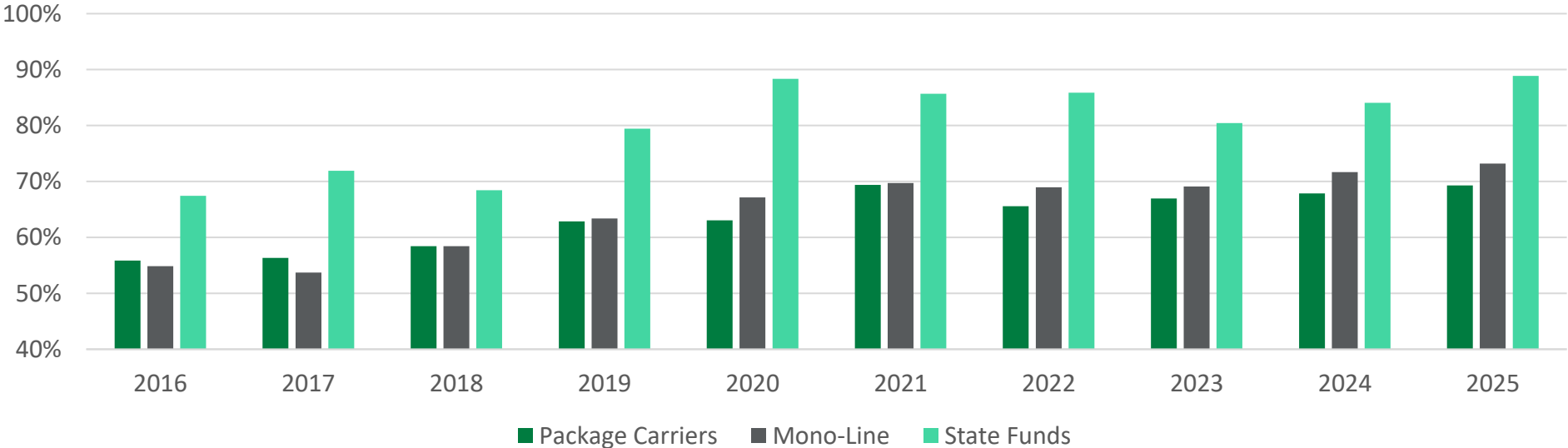
Calendar year results remain strong, but they are not quite as good as in the previous two years. Most of this is likely due to increasing costs to settle claims in current and prior years, but tax strategy may also be a factor. In July 2025, the One Big Beautiful Bill Act (OBBBA) was signed, solidifying the corporate tax rate reduction originally effected nine years ago. The certainty of the tax rate, effective January 2026, may affect future reserve releases. With that said, the 12-point difference between Calendar and Accident Year results suggests that the Workers Compensation industry will have recognized a good amount of reserve redundancy. The NCCI’s report will show the extent to which the loss reserve “cookie jar” was raided in the past year. Based on last year’s forecast of \$16Bn in redundancies, our 12-point (~\$5Bn) reserve release estimate should be sustainable for the system.

When reviewing the Workers Compensation System, it is important to break out different segments of the industry. We look at the performance of:

- ▶ **Package Carriers:** These are companies that write Workers Comp, but it is not their predominant line. Often, these companies will “package” their Workers Compensation with their other lines of coverage.
- ▶ **Mono-Line:** These are Specialist carriers that only write Workers Compensation. Some of these include former State Funds that have been privatized.
- ▶ **State Funds:** These are State Funds that remain sponsored by their respective state of operation.

# Workers Compensation Industry Performance

Accident Year Loss Ratio Performance by Insurer Type



Source: S&P Capital IQ, 2026

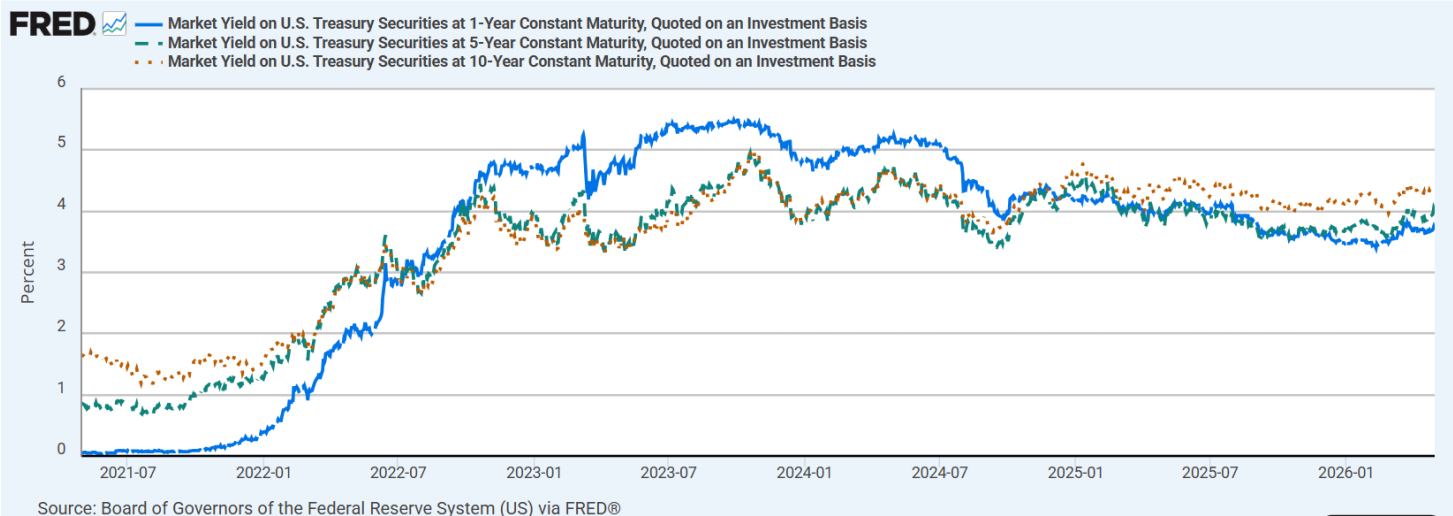
## Analysis

- ▶ Overall, the Package and the Mono-Line carriers far exceeded in performance when compared to the State Funds.
- ▶ Much of the State Fund underperformance comes from California (State Compensation Insurance Fund).
- ▶ Package carriers' performance has led the industry in recent years. It is possible that these carriers can leverage better risks by offering coverages outside of Workers Compensation.
- ▶ With that said, it is important to note that certain smaller Mono-Line writers significantly outperformed their industry, demonstrating underwriting discipline and extensive knowledge of their market.
- ▶ Overall, the state of the Workers Compensation remains in good shape; though there are some concerns ahead.

# Market Tailwinds in 2025

## What's Helping Workers Comp

- ▶ **Frequency:** Frequency remains at historic lows. Frequency of claims is continuing to drop. This long-term trend is continuing.
- ▶ **Inflation:** Limited claims inflation, despite inflation in the broader economy, has kept Workers Compensation claims severity somewhat stable. The NCCI's WC Weighted Medical Index has increased only 2.2% over the past 12 months (NCCI, April 2026), compared to the 1-year broader CPI of 2.8%. Even with inflation statistics affected from the recent government shutdown, as well as the Iran war, the most recent monthly readings of Workers Compensation inflation are relatively benign. Fee schedules and domestic generic drug production have been major contributors to manageable cost changes. It is important to note that the benign inflation readings are primarily only helping the smaller and most frequent claims. We will address catastrophic claims activity later in this report.
- ▶ **Payroll:** Payroll growth remains a tailwind for workers compensation writers. The significant growth in payroll in the past 5 years (since COVID) has driven premiums up with it. Workers Compensation carriers have benefitted from this as claims (particularly indemnity claim costs) have yet to catch up. This may change in the coming years.
- ▶ **Investment Yields:** Investment yields have increased over the past few years, increasing potential interest income. In addition, equity returns have continued to be positive, while Workers Compensation writers are able to increase their allocation to this exposure. Meanwhile, yields have begun to stabilize in the past year, and the yield curve has remained flat.



# Market Headwinds in 2025

## What's Hurting Workers Comp

- ▶ **Rate Reductions:** Loss costs are continuing to go down. In 2025, the average loss cost reduction in NCCI states was 6%. While some states are seeing rate increases (CA and NV), these loss cost reductions continue to challenge Workers Compensation writers.
- ▶ **Cumulative Trauma and Claim Severity:** Underperformance in California due to continued filing of Cumulative Trauma claims. While not yet reported by the WCIRB, California's combined ratio for 2025 will likely exceed 110 for the fourth year in a row and may possibly exceed 120 as it did in 2024. What's driving these poor results?
  - ▶ A large increase in Cumulative Trauma (CT) claims and related litigation. California's courts have gone through a "telelegal" revolution, allowing Los Angeles basin attorneys to file claims on a statewide basis. This has driven up both claims frequency and severity as these claims incur both significant legal costs as well as often require complex care plans. All of these are leading to higher costs and longer resolution timeframes.
  - ▶ The aforementioned higher payroll tailwind is starting to catch up on the claims side in California. This has become a driver for claims severity.

The underperformance in California is significant for the Workers Compensation system. California represents over 25% of the market share in the country. Therefore, its elevated loss ratio masks much more profitable results in other states.

# Workers Compensation Market Expectations

## What to Expect in 2026

- ▶ **Technological Advancement:** Continued innovation in technology is improving underwriting and reducing claims costs. Data science and AI are improving exposure classification and loss predictability. These are also helping to identify cost drivers in claims and improve care.
- ▶ **Market Stability:** The following year will likely demonstrate further stability. Results may deteriorate further as the soft market persists. However, these modest increases in combined ratios should not risk the health of the system.
- ▶ **Payroll and Employment:** Payroll growth is waning, and the employment market is softening. While 2025 showed continued payroll growth, employment counts are stagnating. 2026 is not showing the same level of payroll growth, and therefore, the premium benefit we have seen in prior years. This will likely create a headwind in 2026 and future years.
- ▶ **Indemnity Costs:** Adding insult to injury, the robust payroll growth since COVID will creep into claim indemnity costs in every state, not just California.
- ▶ **Competition:** Mono-Line writers are getting squeezed by Package insurers. Since Workers Compensation has been the most profitable commercial insurance line for several years, package companies are dominating the market where they can, placing requirements to write Workers Compensation in order to write other coverages.
  - ▶ In Travelers Companies, Inc's (TRV) most recent earnings call, Alan Schnitzer stated "...we are open, more than open for business in workers' comp."
  - ▶ Agents also want to one-stop shop, especially for industrial firms that have significant auto exposure.
- ▶ **Workforce Demographics Shift:** For several years, industry experts have cited an aging workforce. This, along with a greater number of younger employees working "gig-economy" jobs outside of the Workers Compensation system, is creating a long-term headwind for the industry.

## What Else to Consider?

While the above items may be what can be expected, it is important to address how plausible yet unforeseen events could affect the Workers Compensation Industry.

- ▶ Could we see a downturn in the employment market? While unemployment rates remain low, job growth and turnover is slowing significantly. A negative shift in the labor market could lead to challenging conditions for Workers Compensation.
- ▶ Could continued government deficits lead to higher interest rates? That could hurt investment values, particularly in fixed income. However, it's unlikely that this would shift underwriting performance to a level that affects industry health. Inflation, which could also be triggered by the same, would be a greater concern.

# WC Reinsurance Market Themes

## Reinsurance Market Analysis

Stonybrook's analysis of the reinsurance market highlights the following dynamics:

- ▶ **Quota Share**
  - ▶ Capacity is available, but it remains limited as reinsurers' loss rate forecasts are generally higher than current results.
  - ▶ Programs must show clear differentiation in terms of underwriting, distribution and technology, tying the three together in order to attain capacity.
- ▶ **Excess of Loss**
  - ▶ Continued downturn in loss costs is going directly against cat/mega claim severity trends. Reinsurers are continuing to push for modest increases in rates. However, programs with good experience that can demonstrate rate discipline can challenge the market, as reinsurers continue to compete for these layers.
- ▶ **Catastrophe: \$10M and Multi-Claimant**
  - ▶ Remains soft, and softening in property market may put more capacity into this space.

## Sector Leadership Perspectives

Discussions with management teams and board members across the Workers Compensation sector point to several consistent strategic priorities:

- ▶ **Expansion:** Particularly geographic expansion
- ▶ **Diversification of Lines**
  - ▶ Write complementary lines of business to combat pressure from multi-line writers. This can be accomplished by building an internal team or partnering strategically with a non-comp writer.
  - ▶ Use assumed reinsurance to scale and diversify risk exposure.
- ▶ **Strategic Investment**
  - ▶ M&A: Consider acquiring other comp writers, or complementary writers. Consider selling, if succession or expense ratios become challenging.
  - ▶ Try before you buy: Consider minority stake or subordinated debt to invest into a potential partner company.
  - ▶ Funds at Lloyd's: Gain global risk exposure and market knowledge by backing one or more syndicates at Lloyd's, providing a Funds at Lloyd's investment.
- ▶ **How to Use AI**
  - ▶ Underwriting: Particularly for severity driven business. This includes excess WC and High Hazard Group business. AI can help with submission ingestion and underwriting data integrity. You are not replacing the underwriters; just making them more effective.
  - ▶ Claims: notice trends and identify outlier claims



# Stonybrook Background

# Stonybrook Risk Management Overview

Specialist reinsurance intermediary connecting carriers, MGAs, and capital across global markets

## About Us

- ▶ Stonybrook Risk Management (SRM) is a specialist reinsurance intermediary subsidiary of an investment bank, with offices in New York City, London, and Bermuda
- ▶ SRM distinguishes itself through its extensive experience, innovative solutions, and focus on the insurance carrier marketplace, Managing General Agents, captive services, reinsurance, and strategic advisory

## Key Capabilities

- ▶ **MGA Expertise:** Places MGA programs with carrier paper and reinsurance capacity
- ▶ **Broad Client Base:** Serves insurers, captives, MGAs, and risk retention groups
- ▶ **Product Focus:** Personal and commercial lines, including auto, workers' comp, professional liability, title, surety, and homeowners
- ▶ **Unique Synergies:** Investment bank affiliation provides access to capital, insights, and clients
- ▶ **London Market Access:** Leverages London for treaty capacity, intelligence, and product innovation
- ▶ **Relationship Focus:** Deep global reinsurer relationships, including C-suite access, to optimize terms
- ▶ **Analytics Services:** Partners with leading actuarial and consulting firms for data-driven insights

## Superior Execution



# Stonybrook Capital Overview

Stonybrook Capital strives to provide industry leading service to companies that are overlooked by Wall Street

## Insurance Focused

Stonybrook *specializes in insurance related investment banking advisory services*, as well as reinsurance broking transactions through its wholly owned subsidiary Stonybrook Risk Management

## Global Presence

With *“Boots on the Ground”* in Bermuda, London, and our New York headquarters, Stonybrook provides a global perspective

## InsurTech

With *exclusive placement agent* appointments for active InsurTech investor worldwide (iacapgroup.com) as well as the most active Insurtech investor in Europe in 2021 and 2022 (insurtechgateway.com) Stonybrook is light years ahead of its peers with respect to InsurTech



## Conflict Free

We are *conflict-free*. Our clients' needs remain our sole focus; we do not engage in lending or proprietary trading and do not answer to outside stakeholders

## Active in The Market

*Continuous dialogue* with key market participants, including regulatory and rating agencies

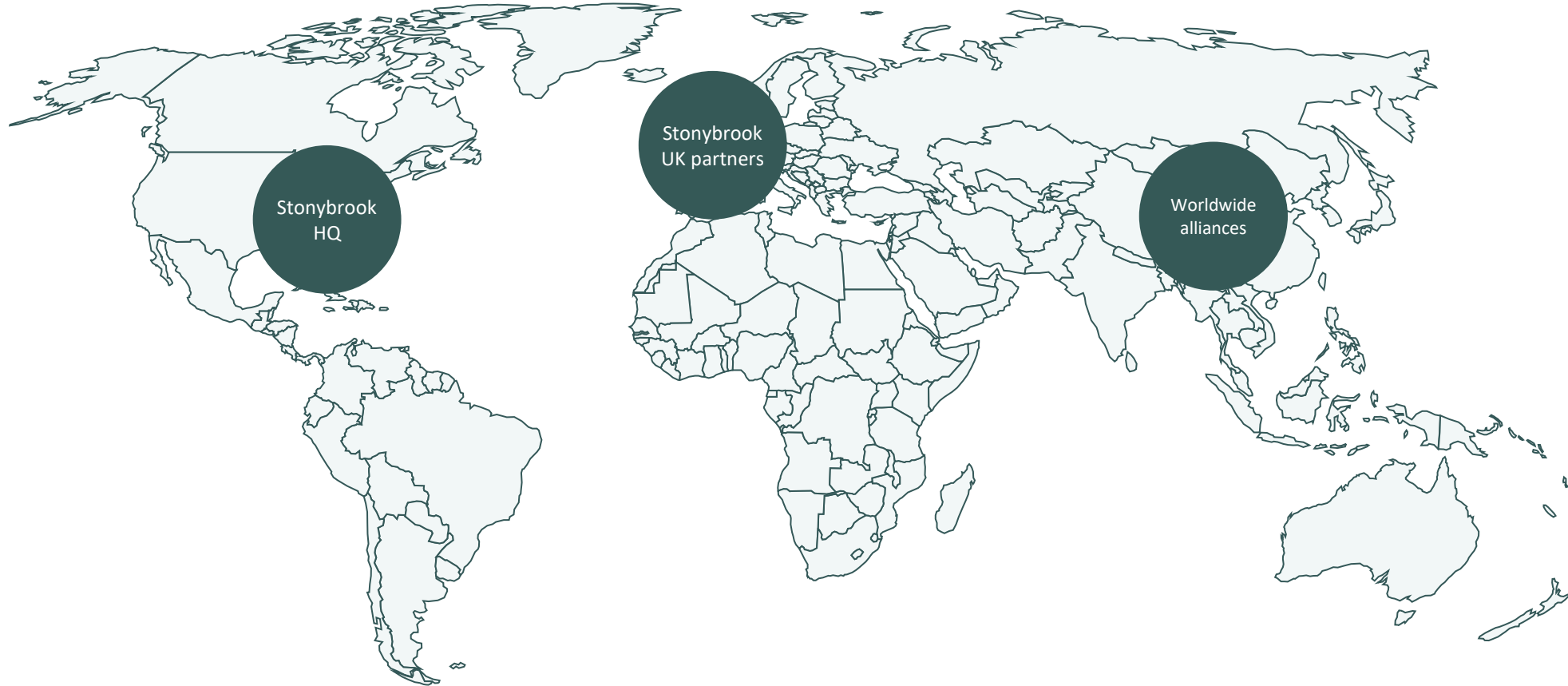
## Unique Perspectives

Unique ideas and demonstrated *thought leadership* built on decades of experience

Stonybrook focuses exclusively on the insurance industry, specializing in middle market transactions. Our team leverages strong relationships, decades of experience in all matters related to investment banking and insurance, along with an uncompromising commitment to the best client service possible

# Worldwide Coverage

Stonybrook is entrenched within the Insurance industry providing a full breadth of advisory services



## Stonybrook Investment Banking

M&A Advisory

Equity Capital Markets

Capital Raising

Strategic Advisory

## Stonybrook Risk Management

Reinsurance Broking

Market Finding

Legacy

## Stonybrook Alternative Investments

Ventures

Fund Placement

Funds at Lloyd's

# Stonybrook Risk Management Team

Insurance-Focused Team Bringing Both Big and Boutique Experience and Strategies



**Paul Dzielinski**  
Partner

- ▶ Previously Paul worked at Guy Carpenter, US RE Corp. and Beach Re Ltd as a broker
- ▶ At Stonybrook, Paul leads Stonybrook Risk Management to create solutions between the reinsurance and capital markets
- ▶ Graduate of St. Bonaventure University
- ▶ 40+ years of experience



**Paul Kneuer**  
Partner & Board Member

- ▶ Previously Paul worked at Everest Re and Holborn Corporation. His distinguished career includes board roles, and a significant tenure as a senior casualty underwriter and pricing actuary at Continental Insurance, now known as CNA
- ▶ Graduate of University of Notre Dame and has an MBA from Columbia University
- ▶ Fellow of the Casualty Actuarial Society
- ▶ 40+ years of experience



**Alex Fox**  
Partner

- ▶ Alex is a reinsurance executive with expertise in structuring and placing both traditional and alternative reinsurance transactions
- ▶ He co-founded ReSource Intermediaries in 2004, before founding Advocate Reinsurance Partners in 2010, which was acquired by BMS Re in 2016
- ▶ 25+ years of experience



**Matthew Mosher**  
Partner & Board Member

- ▶ Matt became a Strategic Advisor for Stonybrook Capital in 2025
- ▶ Previously, he was the President and Chief Executive Officer for AM Best Rating Services, Inc
- ▶ During that time, Matt was responsible for the development and maintenance of most of the non-life rating models, including Best's Capital Adequacy Model (BCAR)
- ▶ 39+ years of experience



**Daniel Butzbaugh**  
SVP Global Head

- ▶ Dan became a Senior Vice President for Stonybrook Capital in 2025
- ▶ Previously, he worked in reinsurance, insurance-linked investment and risk management roles at various firms including New Paradigm Underwriters and at reinsurance broker Willis Re, where he launched his career
- ▶ 20+ years of experience



**Fallon Oeser**  
Assistant Vice President

- ▶ Fallon began working at Stonybrook Risk Management in 2025
- ▶ 7+ years managing client relationships and brokering partnerships, with a focus on negotiating complex agreements and leading stakeholder communication across multiple industries
- ▶ Graduate of Wellesley College with a degree in Classics



# Stonybrook Banking & Risk Management Team

Insurance-Focused Team Bringing Both Big and Boutique Experience and Strategies



**Joseph Scheerer**

Founder, CEO, and Chairman of the Board

- ▶ Joe founded Stonybrook Capital with over 20 years of experience including Oppenheimer and Willis Re's Investment Banking Operation. Joe built Stonybrook into a global firm aimed at providing services to middle market insurance and InsurTech companies
- ▶ Graduate of the University of Pennsylvania
- ▶ 27+ years of experience



**Ian Winchester**

Former Chairman of the Board

- ▶ Ian has served on the board of several directors of several companies such as Endurance Specialty, (now Sompo), Montpelier Reinsurance, and more
- ▶ He was a Managing Partner of BHC Winton Funds, a fund providing capital to Lloyd's Syndicates
- ▶ Founded Winchester Bowring, a Lloyd's broker
- ▶ 50+ years of experience



**Peter McGuire**

Partner & Board Member

- ▶ Joined Stonybrook's Board in August 2025; widely respected (re)insurance leader with decades of global experience
- ▶ Founded Xchange Group, sold to Ambac for \$101M; previously led QBE's \$950M North American operations and founded Starr Global Accident & Health
- ▶ Sits on the Path to Peace Foundation Board
- ▶ 34+ years of experience



**Adam Clay**

Partner

- ▶ Adam originates and executes transactions across the platform and works with a variety of traditional insurance carriers and InsurTech clients on capital raising, M&A, and advisory assignments
- ▶ Previously Adam worked at Deloitte and Societe Generale covering Financial Services
- ▶ Graduate of NYU Stern
- ▶ 13+ years of experience



**Chris Harman**

Partner

- ▶ Chris joined Stonybrook as Partner after 45+ years of working in Lloyd's
- ▶ Prior to Stonybrook Chris was managing director and deputy chairman of Harman Wicks & Swayne Group before it was sold to JLT in 2008
- ▶ Was a working member on Lloyd's Council
- ▶ 45+ years of experience



**Kendel Bell**

Chief Operating Officer

- ▶ Kendel is COO of Stonybrook Capital, overseeing operations and strategic growth since 2019
- ▶ She was previously Head of Investor Relations at Latigo Partners, leading client relations and capital raising
- ▶ Earlier, she worked at Jefferies & Company in marketing and business development
- ▶ 15+ years of experience



# Stonybrook Banking & Risk Management Team (Cont'd)

Insurance-Focused Team Bringing Both Big and Boutique Bank Experience and Strategies



**Dan Hughes**  
Partner

- ▶ Dan began working at Stonybrook Capital in 2022
- ▶ Graduate of Indiana University, with a major in Finance & Business Analytics
- ▶ 3+ years of experience

STONYBROOK CAPITAL  
MERCHANT BANKERS TO THE INSURANCE INDUSTRY



**Patrick McFall**  
Managing Director

- ▶ Patrick is an M&A and strategy professional with experience in financial due diligence and post-merger integration
- ▶ Previously at PwC, Capco, and Deloitte advising clients on transactions and operational transformation
- ▶ U.S. Army veteran with leadership and financial advisory experience
- ▶ 17+ years of experience



**James Greenwood**  
Vice President

- ▶ James is an international affairs and finance professional with experience in global policy and capital markets
- ▶ Previously at Barclays and UBS, he managed debt syndicate operations and supported regulatory risk teams
- ▶ 10+ years of experience across diplomacy and global investment banking



**John Crane**  
Associate

- ▶ John began working at Stonybrook Capital in 2023
- ▶ Graduate of Binghamton University with a major in Finance
- ▶ 2+ years of experience

STONYBROOK CAPITAL  
MERCHANT BANKERS TO THE INSURANCE INDUSTRY



**Rishabh Bajaj**  
Analyst

- ▶ Rishabh began working at Stonybrook Capital in 2025
- ▶ Graduate of Boston University, with a major in Finance
- ▶ 1 year of experience

STONYBROOK CAPITAL  
MERCHANT BANKERS TO THE INSURANCE INDUSTRY



**Hamish Martin**  
Analyst

















- ▶ Hamish began working at Stonybrook Capital in 2025
- ▶ Graduate of City St George's University, with a major in Mathematics with Finance and Economics.
- ▶ 1 year of experience

STONYBROOK CAPITAL  
MERCHANT BANKERS TO THE INSURANCE INDUSTRY

# Stonybrook Capital & Risk Management Transactions

Stonybrook is a leading provider of M&A advisory, equity capital markets, capital raising, and legacy / market finding for the Insurance industry

## Selected M&A Transactions

 Acquired by <b>Protective</b> Exclusive Sell-Side Financial Advisor	 Acquired by <b>BISHOP STREET</b> Exclusive Sell-Side Financial Advisor	 Acquired by <b>Mutual Capital GROUP</b> Exclusive Sell-Side Financial Advisor	 Acquired by <b>Insural</b> Exclusive Sell-Side Financial Advisor	 Security & Alarm Business Acquired By <b>CORE SPECIALTY</b> Exclusive Sell-Side Financial Advisor	 Merged with <b>Sherpa</b> Financial Advisor	 Acquired by <b>AF Group</b> Exclusive Buy-Side Financial Advisor	 Acquired by <b>Porch</b> Exclusive Advisor to CSE's Management	 Acquired by <b>RESOLUTION UNDERWRITING</b> Exclusive Buy-Side Financial Advisor	Surety Company Acquired by <b>WEST BEND</b> Exclusive Financial Advisor
 Acquired by <b>SOVEREIGN</b> Exclusive Buy-Side Financial Advisor	 Investment by <b>MILESTONE</b> Exclusive Sell-Side Financial Advisor	 Acquired by <b>Ambac</b> Exclusive Transaction Advisor to Xchange	 Sale to <b>Weston</b> Exclusive Sell-Side Financial Advisor	 Sale to <b>canopus</b> Exclusive Sell-Side Financial Advisor	 Acquired by <b>FEDERATED INSURANCE</b> Exclusive Buy-Side Financial Advisor	 Sale to Undisclosed Buyer Exclusive Sell-Side Financial Advisor	<b>DRYSTONE CAPITAL</b> Senior Secured Credit Facility Exclusive Sell-Side Financial Advisor	 Sale to <b>3</b> Exclusive Sell-Side Financial Advisor	 Sale to <b>Farmers Union INSURANCE</b> Exclusive Sell-Side Financial Advisor

## Selected Capital Raising Transactions

 \$30,000,000 Follow-On	 (Undisclosed Amount) Equity Capital Raise	 Senior Secured Term Loan Facility \$20,000,000 Capital Raise	 \$70,000,000 Capital Raise	 Non-Controlling Investment in <b>GRAMERCY</b> Financial Advisor	 Common Stock Offering \$25,000,000 Capital Raise	 Growth Equity Financing Financial Advisor	 The Future of Property Inspections Series A Financing	 \$7,500,000 Capital Raise	 \$10,000,000 Capital Raise
 \$20,000,000 Capital Raise	 \$45,000,000 Capital Raise	 \$30,000,000 Capital Raise	 \$125,000,000 Capital Raise	 \$12,500,000 Capital Raise	 \$30,000,000 Capital Raise	 \$20,000,000 Capital Raise	 \$28,000,000 Capital Raise	 \$20,000,000 Capital Raise	 \$50,000,000 Capital Raise

## Selected Legacy Transactions

  
 Artisan Contractors  
 Book LPT  


  
 Sale to  
**R&Q**

  
 Sale of Great  
 Lakes Casualty  
**ENSTAR**

## Selected Market Finding Assignments

  
 Placed Program  
  
 Exclusive Advisor to  
 Inter Insurance Agency

  
 Placed Program  
  
 Exclusive Advisor  
 to Energi

  
 Placed Program  
  
 Exclusive  
 Advisor to FSIM

  
 Non-Controlling  
 Investment in  
**GRAMERCY**  
 Financial Advisor

  
 Fronting Arrangement  
  
 Exclusive Advisor  
 to Triangle Surety