

**FOR IMMEDIATE RELEASE**

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## **Impact of COVID-19 on Insurance – Surety Insurance**

**Columbus, Ohio, April 2, 2020:** The COVID-19 pandemic and the historic federal, state, and local government efforts to mitigate its spread has stopped the economy in its tracks. Social distancing and self-isolation may result in the US unemployment rate reaching record levels. The dialogue on business interruption insurance will continue, whether in the courts or to discuss a federal backstop. At the forefront of the issue of the ability of businesses to perform under stress is surety insurance. The insurer, as surety, is the party that guarantees the performance of another party, often a contractor or a construction project. The contract through which the guarantee is executed is a surety bond.

As of December 31, 2019, there were 323 insurers that reported direct premium written for the surety insurance line of business. There are various types of surety insurance; however, the insurers that wrote performance bonds may see a rise in claim frequency and severity as a result of unemployment, constrained cash flows, and other phenomena impacting businesses.

Direct premium written (DPW) for surety insurance for the 323 insurers was nearly \$6.8 billion at year-end 2019. The top 20 writers, based on all types of surety insurance written, accounted for over \$4.4 billion, 65 percent of the industry dollar volume. Surety insurance comprised approximately 17 percent of these top 20 insurers' books of business and was but 3 percent of the books of business of all carriers writing some surety.

Despite the diversification within many of the top 20, surety insurance constituted more than 90 percent of seven insurers' total 2019 DPW. According to Joseph L. Petrelli, President and co-founder, Demotech, the first company to review and rate independent regional and specialty insurers, "By count, the 323 carriers writing surety insurance are nearly 13% of the Property and Casualty insurers reporting to the National Association of Insurance Commissioners. With respect to the impact of COVID-19 on surety insurers writing performance bonds, keep in mind that at the time the performance bonds were written, the economy was humming, competent contractors were likely to be at full capacity, with projects in their pipeline. COVID-19 and the response to mitigate the contagion changed everyone's world. It is unlikely that insurers writing surety insurance will be spared from future discomfort."

### **About Demotech, Inc.**

Demotech, Inc. is a financial analysis firm specializing in evaluating the financial stability of regional and specialty insurers. Since 1985, Demotech has served the insurance industry by assigning accurate, reliable, and proven Financial Stability Ratings® (FSRs) for Property & Casualty insurers and Title underwriters. FSRs are a leading indicator of financial stability, providing an objective baseline of the future solvency of an insurer. Demotech's philosophy is to review and evaluate insurers based on their area of focus and execution of their business model rather than solely on financial size. Visit [www.demotech.com](http://www.demotech.com) for more information.

NAIC #	Company Name	Ultimate Parent (UP)	UP Ticker	2019			2018			2017		
				Surety DPW	Total DPW	Surety as % of Total	Surety DPW	Total DPW	Surety as % of Total	Surety DPW	Total DPW	Surety as % of Total
31194	Travelers Casualty and Surety Company of America	Travelers Companies, Inc.	TRV	838,672,619	2,331,717,475	35.97%	817,961,418	2,152,453,801	38.00%	781,222,691	2,026,919,733	38.54%
23043	Liberty Mutual Insurance Company	Liberty Mutual Holding Company Inc.		724,270,320	2,323,069,971	31.18%	668,494,176	2,088,674,855	32.01%	623,276,189	1,988,540,573	31.34%
39306	Fidelity and Deposit Company of Maryland	Zurich Insurance Group AG	ZURN	569,980,130	615,015,001	92.68%	546,918,609	594,632,132	91.98%	550,021,274	612,218,926	89.84%
13188	Western Surety Company	Loews Corporation	L	382,889,185	413,307,244	92.64%	375,683,192	406,318,442	92.46%	353,873,265	384,556,448	92.02%
20281	Federal Insurance Company	Chubb Limited	CB	270,133,987	5,996,530,459	4.50%	235,412,073	5,735,234,727	4.10%	231,956,649	5,662,475,396	4.10%
19682	Hartford Fire Insurance Company	Hartford Financial Services Group, Inc.	HIG	173,717,341	1,950,741,229	8.91%	162,132,200	1,793,674,673	9.04%	158,157,492	1,749,752,358	9.04%
18058	Philadelphia Indemnity Insurance Company	Tokio Marine Holdings, Inc.	8766	135,890,923	3,459,423,299	3.93%	124,616,622	3,364,221,212	3.70%	111,159,010	3,159,201,061	3.52%
10030	Westchester Fire Insurance Company	Chubb Limited	CB	129,544,524	551,088,871	23.51%	133,471,933	547,491,236	24.38%	150,508,783	613,036,913	24.55%
24074	Ohio Casualty Insurance Company	Liberty Mutual Holding Company Inc.		128,635,767	1,095,173,747	11.75%	105,489,778	993,946,548	10.61%	96,519,464	803,385,598	12.01%
29874	North American Specialty Insurance Company	Swiss Re AG	SREN	126,676,722	357,180,889	35.47%	116,937,861	330,419,898	35.39%	114,001,928	308,589,131	36.94%
16691	Great American Insurance Company	American Financial Group, Inc.	AFG	111,583,012	2,443,223,404	4.57%	107,663,167	2,223,522,445	4.84%	111,494,418	2,234,650,824	4.99%
11592	International Fidelity Insurance Company	Goose Creek Capital, Inc.		108,839,072	108,967,156	99.88%	115,346,401	115,475,243	99.89%	111,900,466	112,024,482	99.89%
11150	Arch Insurance Company	Arch Capital Group Ltd.	ACGL	106,748,431	2,344,312,720	4.55%	89,246,119	2,028,384,671	4.40%	90,883,064	1,930,388,465	4.71%
13307	Lexon Insurance Company	Sompo Holdings Inc.	8630	103,689,257	103,813,160	99.88%	106,437,842	106,521,113	99.92%	106,558,080	106,777,043	99.79%
13056	RLI Insurance Company	RLI Corp.	RLI	97,183,432	606,112,004	16.03%	103,340,609	543,961,627	19.00%	101,628,387	494,264,623	20.56%
27154	Atlantic Specialty Insurance Company	Intact Financial Corporation	IFC	95,211,875	1,072,116,211	8.88%	87,659,575	985,677,942	8.89%	70,592,069	985,537,484	7.16%
32603	Berkley Insurance Company	W. R. Berkley Corporation	WRB	91,718,240	658,559,992	13.93%	94,665,382	555,305,686	17.05%	79,753,749	477,834,555	16.69%
36650	Guarantee Company of North America USA	Intact Financial Corporation	IFC	90,294,697	90,315,797	99.98%	83,614,824	83,631,435	99.98%	69,048,906	69,066,156	99.98%
10916	SureTec Insurance Company	Markel Corporation	MKL	87,970,987	88,054,359	99.91%	80,876,082	80,950,183	99.91%	75,395,074	75,469,598	99.90%
14494	Merchants Bonding Company (Mutual)	Merchants Bonding Company (Mutual)		87,068,832	94,224,428	92.41%	82,293,911	88,725,268	92.75%	77,608,860	83,883,412	92.52%
	Top 20 Surety Insurance Writers by DPW			4,460,719,353	26,702,947,416	16.70%	4,238,261,774	24,819,223,137	17.08%	4,065,559,818	23,878,572,779	17.03%
	Remainder of Surety Insurance Writers (303 Companies)			2,329,534,504	185,432,009,936	1.26%	2,159,689,998	177,480,555,107	1.22%	2,024,478,950	170,409,028,165	1.19%
	<b>Total</b>			<b>6,790,253,857</b>	<b>212,134,957,352</b>	<b>3.20%</b>	<b>6,397,951,772</b>	<b>202,299,778,244</b>	<b>3.16%</b>	<b>6,090,038,768</b>	<b>194,287,600,944</b>	<b>3.13%</b>

Data Source: The National Association of Insurance Commissioners, Kansas City, Missouri, by permission. Information derived from an S&P Global product. The NAIC and S&P Global do not endorse any analysis or conclusion based upon the use of its data.