

XIII Seminario Internacional Seguros y Fianzas



**14 Noviembre 2001
Mexico City**

**The Surety
Association of
America**

TRENDS AND
EXPERIENCE IN A
CHANGING INDUSTRY

Two Primary Sublines of Surety

CONTRACT SURETY

Federal Contracts

State & Local Contracts

Private Contracts

COMMERCIAL SURETY

Court Bonds

Federal & Public Official

License & Permit

Miscellaneous

Contract Surety

- Bond Availability & Accessibility
- New Project Delivery Methods
- Bond Forms
- Long Term Warranties
- Retainage
- Alternative Products
- Directed Suretyship

Commercial Surety

- New bond requirements
- Elimination of the use of commercial bonds

Automation



- The position of SAA on electronic bonds
- Bond numbering index system
- The transition to electronic bonds

International

- International Surety Association



Statistical

Ensure that Statistical Collection & Reports
provide the greatest value to the industry
& SAA members.



The Surety Association of America

- Following data based on SAA Fidelity & Surety Statistical Plan
 - Reflects aggregate data of all carriers reporting to SAA
- Data on a Direct basis
- Countrywide Data – includes 50 states, DC, and Puerto Rico
- All dollar amounts are in thousands

Surety Volume by Subline Direct Premiums Written (000's)

COMMERCIAL SURETY	Cal. Yr. 1999-97	Cal. Yr. 1999	Cal. Yr. 1998	Cal. Yr. 1997
Court Bonds	500,227	169,832	154,279	176,116
Federal/Public Official	142,739	46,556	47,147	49,036
License & Permit	820,513	284,464	265,746	270,303
Misc. Bonds	799,064	301,735	263,745	233,584
Total	2,262,544	802,588	730,917	729,039
CONTRACT SURETY				
Federal Contracts	313,692	98,273	102,727	112,692
Non-Federal Contracts	4,500,498	1,592,940	1,487,978	1,419,581
<i>State & Local</i>	<i>3,445,872</i>	<i>1,212,119</i>	<i>1,128,280</i>	<i>1,105,472</i>
<i>Private</i>	<i>1,029,058</i>	<i>359,563</i>	<i>359,260</i>	<i>310,234</i>
<i>Non-Allocated</i>	<i>25,568</i>	<i>21,257</i>	<i>437</i>	<i>3,874</i>
Total	4,814,190	1,691,212	1,590,705	1,532,273

Total Surety

(000's)

1980's

Cal. Year	Premiums Written	Losses Incurred	Loss Ratio
1980	825,881	396,771	49.9
1981	908,618	253,562	29.5
1982	919,318	300,750	33.9
1983	1,062,332	315,464	33.1
1984	1,236,517	494,867	46.5
1985	1,293,539	947,124	81.7
1986	1,309,906	918,400	71.4
1987	1,471,029	756,335	54.6
1988	1,535,309	418,018	27.8
1989	1,669,732	474,715	29.5

1990's

Cal. Year	Premiums Written	Losses Incurred	Loss Ratio
1990	1,733,381	499,460	29.3
1991	1,745,131	394,258	23.1
1992	1,756,879	593,482	34.9
1993	1,832,493	287,215	16.2
1994	1,924,568	597,586	32.7
1995	1,931,972	467,395	25.6
1996	2,155,747	482,539	24.0
1997	2,261,312	480,988	22.6
1998	2,321,622	528,040	23.5
1999	2,493,800	547,722	23.3

Contract Surety

(000's)

1980's

Cal. Year	Premiums Written	Losses Incurred	Loss Ratio
1980	574,540	367,816	66.3
1981	604,666	203,482	34.1
1982	594,077	211,584	35.9
1983	640,918	245,625	39.8
1984	680,390	375,791	57.3
1985	769,674	670,149	94.4
1986	827,177	788,735	103.1
1987	952,358	564,827	66.6
1988	1,024,911	327,325	33.6
1989	1,152,809	394,334	36.4

1990's

Cal. Year	Premiums Written	Losses Incurred	Loss Ratio
1990	1,196,834	350,819	30.4
1991	1,194,751	308,517	26.7
1992	1,184,073	374,350	32.7
1993	1,221,172	262,864	22.4
1994	1,305,457	428,870	35.2
1995	1,278,058	393,587	32.6
1996	1,399,089	558,232	43.4
1997	1,532,273	403,121	28.2
1998	1,590,705	280,241	18.4
1999	1,691,212	421,600	26.3

Commercial Surety

(000's)

1980's

Cal. Year	Premiums Written	Losses Incurred	Loss Ratio
1980	251,341	28,954	12.1
1981	303,952	50,080	19.0
1982	325,242	89,166	29.9
1983	421,413	69,839	20.7
1984	556,127	119,076	29.2
1985	523,865	276,975	61.6
1986	482,729	129,665	24.9
1987	518,671	191,508	35.6
1988	510,399	90,693	17.1
1989	519,923	80,381	15.2

1990's

Cal. Year	Premiums Written	Losses Incurred	Loss Ratio
1990	536,547	148,641	26.9
1991	550,380	85,742	15.5
1992	572,807	219,132	39.2
1993	611,320	24,350	4.1
1994	619,112	168,716	27.8
1995	653,914	73,809	11.9
1996	756,658	-75,693	-10.5
1997	729,039	77,868	11.2
1998	730,917	247,800	34.5
1999	802,588	126,122	16.9

Projections for 2000

Cal. Year	Commercial Surety		Contract Surety		Total Surety	
	Premiums Written	Loss Ratio	Premiums Written	Loss Ratio	Premiums Written	Loss Ratio
1997	729,039	11.2%	1,532,273	28.2%	2,261,312	22.6%
1998	730,917	34.5%	1,590,705	18.4%	2,321,622	23.5%
1999	802,588	16.9%	1,691,212	26.3%	2,493,800	23.3%
2000	823,640	36.3%	1,735,572	52.5%	2,559,212	47.3%

Outstanding Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	146,551						
1994							
1995							
1996							
1997							
1998							
1999							

Outstanding Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	146,551	195,635					
1994	238,998						
1995							
1996							
1997							
1998							
1999							

Outstanding Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	146,551	195,635	76,662				
1994	238,998	146,787					
1995	225,670						
1996							
1997							
1998							
1999							

Outstanding Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	146,551	195,635	76,662	57,783			
1994	238,998	146,787	88,505				
1995	225,670	243,457					
1996	129,986						
1997							
1998							
1999							

Outstanding Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	146,551	195,635	76,662	57,783	36,220		
1994	238,998	146,787	88,505	62,476			
1995	225,670	243,457	88,532				
1996	129,986	116,120					
1997	211,362						
1998							
1999							

Outstanding Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	146,551	195,635	76,662	57,783	36,220	25,904	
1994	238,998	146,787	88,505	62,476	56,856		
1995	225,670	243,457	88,532	36,968			
1996	129,986	116,120	48,399				
1997	211,362	126,673					
1998	221,644						
1999							

Outstanding Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	146,551	195,635	76,662	57,783	36,220	25,904	31,160
1994	238,998	146,787	88,505	62,476	56,856	45,039	
1995	225,670	243,457	88,532	36,968	34,419		
1996	129,986	116,120	48,399	32,866			
1997	211,362	126,673	95,341				
1998	221,644	215,417					
1999	185,692						

Outstanding Losses – Total Surety (000's)

as of 12/31/XXXX	Amount
1993	460,339
1994	657,272
1995	617,784
1996	689,103
1997	624,597
1998	571,993
1999	686,772

Outstanding Losses – Total Surety
by Claim Report Year
as of 12/31/1999
 (000's)

Year	Amount
1980	1,300
1981	136
1982	194
1983	233
1984	436
1985	2,039
1986	831
1987	1,793
1988	2,014
1989	7,409

Year	Amount
1990	15,908
1991	4,110
1992	10,436
1993	31,160
1994	45,039
1995	34,419
1996	32,866
1997	95,341
1998	215,417
1999	185,692

Outstanding Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	100,959						
1994							
1995							
1996							
1997							
1998							
1999							

Outstanding Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	100,959	84,472					
1994	134,691						
1995							
1996							
1997							
1998							
1999							

Outstanding Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	100,959	84,472	53,875				
1994	134,691	69,444					
1995	186,134						
1996							
1997							
1998							
1999							

Outstanding Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	100,959	84,472	53,875	42,172			
1994	134,691	69,444	76,431				
1995	186,134	215,386					
1996	90,130						
1997							
1998							
1999							

Outstanding Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	100,959	84,472	53,875	42,172	27,355		
1994	134,691	69,444	76,431	51,744			
1995	186,134	215,386	75,123				
1996	90,130	92,421					
1997	148,734						
1998							
1999							

Outstanding Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	100,959	84,472	53,875	42,172	27,355	18,968	
1994	134,691	69,444	76,431	51,744	49,237		
1995	186,134	215,386	75,123	29,944			
1996	90,130	92,421	35,026				
1997	148,734	92,296					
1998	119,524						
1999							

Outstanding Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	100,959	84,472	53,875	42,172	27,355	18,968	16,774
1994	134,691	69,444	76,431	51,744	49,237	38,794	
1995	186,134	215,386	75,123	29,944	29,769		
1996	90,130	92,421	35,026	25,818			
1997	148,734	92,296	59,949				
1998	119,524	117,392					
1999	122,129						

Outstanding Losses – Contract Surety (000's)

as of 12/31/XXXX	Amount
1993	309,256
1994	355,057
1995	410,465
1996	552,048
1997	472,389
1998	378,286
1999	440,302

Outstanding Losses – Contract Surety
by Claim Report Year
as of 12/31/1999
 (000's)

Year	Amount
1980	1,300
1981	23
1982	8
1983	1
1984	82
1985	1,434
1986	325
1987	490
1988	1,112
1989	2,659

Year	Amount
1990	13,044
1991	637
1992	8,561
1993	16,774
1994	38,794
1995	29,769
1996	25,818
1997	59,949
1998	117,392
1999	122,129

Outstanding Losses Commercial Surety

(000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	45,593						
1994							
1995							
1996							
1997							
1998							
1999							

Outstanding Losses Commercial Surety

(000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	45,593	111,164					
1994	104,307						
1995							
1996							
1997							
1998							
1999							

Outstanding Losses Commercial Surety

(000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	45,593	111,164	22,786				
1994	104,307	77,342					
1995	39,536						
1996							
1997							
1998							
1999							

Outstanding Losses Commercial Surety

(000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	45,593	111,164	22,786	15,611			
1994	104,307	77,342	12,074				
1995	39,536	28,071					
1996	39,857						
1997							
1998							
1999							

Outstanding Losses Commercial Surety

(000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	45,593	111,164	22,786	15,611	8,865		
1994	104,307	77,342	12,074	10,731			
1995	39,536	28,071	13,409				
1996	39,857	23,699					
1997	62,629						
1998							
1999							

Outstanding Losses Commercial Surety

(000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	45,593	111,164	22,786	15,611	8,865	6,935	
1994	104,307	77,342	12,074	10,731	7,619		
1995	39,536	28,071	13,409	7,025			
1996	39,857	23,699	13,374				
1997	62,629	34,377					
1998	102,120						
1999							

Outstanding Losses Commercial Surety

(000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	45,593	111,164	22,786	15,611	8,865	6,935	14,386
1994	104,307	77,342	12,074	10,731	7,619	6,245	
1995	39,536	28,071	13,409	7,025	4,650		
1996	39,857	23,699	13,374	7,048			
1997	62,629	34,377	35,392				
1998	102,120	98,025					
1999	63,563						

Outstanding Losses – Commercial Surety (000's)

as of 12/31/XXXX	Amount
1993	151,083
1994	302,215
1995	207,319
1996	137,055
1997	152,208
1998	193,707
1999	246,470

Outstanding Losses – Commercial Surety
by Claim Report Year
as of 12/31/1999
 (000's)

Year	Amount
1980	0
1981	112
1982	185
1983	232
1984	354
1985	606
1986	506
1987	1,303
1988	902
1989	4,750

Year	Amount
1990	2,864
1991	3,473
1992	1,875
1993	14,386
1994	6,245
1995	4,650
1996	7,048
1997	35,392
1998	98,025
1999	63,563

Incurred Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	421,128						
1994							
1995							
1996							
1997							
1998							
1999							

Incurred Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	421,128	651,956					
1994	425,433						
1995							
1996							
1997							
1998							
1999							

Incurred Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	421,128	651,956	626,544				
1994	425,433	548,374					
1995	462,950						
1996							
1997							
1998							
1999							

Incurred Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	421,128	651,956	626,544	627,397			
1994	425,433	548,374	518,331				
1995	462,950	689,536					
1996	304,536						
1997							
1998							
1999							

Incurred Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	421,128	651,956	626,544	627,397	591,854		
1994	425,433	548,374	518,331	492,467			
1995	462,950	689,536	689,269				
1996	304,536	469,522					
1997	478,503						
1998							
1999							

Incurred Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	421,128	651,956	626,544	627,397	591,854	575,939	
1994	425,433	548,374	518,331	492,467	488,719		
1995	462,950	689,536	689,269	563,580			
1996	304,536	469,522	458,831				
1997	478,503	696,609					
1998	389,758						
1999							

Incurred Losses Total Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	421,128	651,956	626,544	627,397	591,854	575,939	529,736
1994	425,433	548,374	518,331	492,467	488,719	450,625	
1995	462,950	689,536	689,269	563,580	559,842		
1996	304,536	469,522	458,831	454,610			
1997	478,503	696,609	730,254				
1998	389,758	673,587					
1999	396,235						

Total Surety

(000's)

Claim Report Year	Premiums Written	Premiums Earned	Losses Incurred as of 12/31/99	Loss Ratio
1993	1,832,493	1,767,869	529,736	30.0
1994	1,924,568	1,827,335	450,625	24.7
1995	1,931,972	1,828,816	559,842	30.6
1996	2,155,747	2,007,783	454,609	22.6
1997	2,261,312	2,127,590	730,253	34.3
1998	2,321,622	2,244,975	673,587	30.0
1999	2,493,800	2,350,605	396,235	16.9
Total	14,921,514	14,154,973	3,794,888	26.8

Incurred Losses Contract Surety

(000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	259,255						
1994							
1995							
1996							
1997							
1998							
1999							

Incurred Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	259,255	420,717					
1994	298,211						
1995							
1996							
1997							
1998							
1999							

Incurred Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	259,255	420,717	417,688				
1994	298,211	405,256					
1995	351,672						
1996							
1997							
1998							
1999							

Incurred Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	259,255	420,717	417,688	404,119			
1994	298,211	405,256	424,862				
1995	351,672	451,824					
1996	181,448						
1997							
1998							
1999							

Incurred Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	259,255	420,717	417,688	404,119	389,360		
1994	298,211	405,256	424,862	400,417			
1995	351,672	451,824	449,702				
1996	181,448	323,757					
1997	365,570						
1998							
1999							

Incurred Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	259,255	420,717	417,688	404,119	389,360	373,393	
1994	298,211	405,256	424,862	400,417	402,588		
1995	351,672	451,824	449,702	362,961			
1996	181,448	323,757	310,731				
1997	365,570	544,562					
1998	259,106						
1999							

Incurred Losses Contract Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	259,255	420,717	417,688	404,119	389,360	373,393	356,241
1994	298,211	405,256	424,862	400,417	402,588	386,339	
1995	351,672	451,824	449,702	362,961	366,092		
1996	181,448	323,757	310,731	308,857			
1997	365,570	544,562	570,218				
1998	259,106	468,473					
1999	245,983						

Contract Surety

(000's)

Claim Report Year	Premiums Written	Premiums Earned	Losses Incurred as of 12/31/99	Loss Ratio
1993	1,221,172	1,171,950	356,241	30.4
1994	1,305,457	1,219,360	386,339	31.7
1995	1,278,058	1,208,899	366,092	30.3
1996	1,399,089	1,286,927	308,857	24.0
1997	1,532,273	1,429,395	570,218	39.9
1998	1,590,705	1,526,698	468,473	30.7
1999	1,691,212	1,602,521	245,983	15.3
Total	10,017,966	9,445,749	2,702,202	28.6

Incurred Losses Commercial Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	161,874						
1994							
1995							
1996							
1997							
1998							
1999							

Incurred Losses Commercial Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	161,874	231,239					
1994	127,222						
1995							
1996							
1997							
1998							
1999							

Incurred Losses Commercial Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	161,874	231,239	208,857				
1994	127,222	143,118					
1995	111,278						
1996							
1997							
1998							
1999							

Incurred Losses Commercial Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	161,874	231,239	208,857	223,278			
1994	127,222	143,118	93,468				
1995	111,278	237,712					
1996	123,088						
1997							
1998							
1999							

Incurred Losses Commercial Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	161,874	231,239	208,857	223,278	202,494		
1994	127,222	143,118	93,468	92,050			
1995	111,278	237,712	239,567				
1996	123,088	145,765					
1997	112,934						
1998							
1999							

Incurred Losses Commercial Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	161,874	231,239	208,857	223,278	202,494	202,545	
1994	127,222	143,118	93,468	92,050	86,132		
1995	111,278	237,712	239,567	200,619			
1996	123,088	145,765	148,100				
1997	112,934	152,047					
1998	130,652						
1999							

Incurred Losses Commercial Surety (000's)

Claim Report Year	@12 mos	@24 mos	@36 mos	@48 mos	@60 mos	@72 mos	@84 mos
1993	161,874	231,239	208,857	223,278	202,494	202,545	173,496
1994	127,222	143,118	93,468	92,050	86,132	64,286	
1995	111,278	237,712	239,567	200,619	193,750		
1996	123,088	145,765	148,100	145,753			
1997	112,934	152,047	160,035				
1998	130,652	205,114					
1999	150,252						

Commercial Surety

(000's)

Claim Report Year	Premiums Written	Premiums Earned	Losses Incurred as of 12/31/99	Loss Ratio
1993	611,320	595,920	173,496	29.1
1994	619,112	607,976	64,286	10.6
1995	653,914	619,916	193,750	31.3
1996	756,658	720,857	145,753	20.2
1997	729,039	698,194	160,035	22.9
1998	730,917	718,277	205,114	28.6
1999	802,588	748,085	150,252	20.1
Total	4,903,548	4,709,224	1,092,686	23.2

Projections for the near future

- Increased losses in all lines for 2000 and 2001.
- Tightened underwriting standards for all lines.
- Increased use of personal indemnity.
- Increased loss costs and rates.
- Increased use of electronic bonds.
- Increased competition from alternative products.
- Increased push by obligees for onerous bond forms.
- Increased pressure for higher bond thresholds and bond waivers.
- Increased requirements for surety bonds.
- Tightening of reinsurance.
- Turn in the cycle within five years.



The Surety Association of America

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