PETRELA WINTER
BONDING • RISK ADVISORS

CANADIAN SURETY RESULTS 2018

Total Industry Results

	Direct Premiums Written (1)	Direct Loss Ratio (1)
2017	~$620 million CAD	~9%
2018	~$630 million CAD	~107%

Figures reflect total premiums written inside and outside of Canada for all domestic sureties and Canadian branches of foreign firms.

Individual Company Results

Surety Company	Direct Premiums Written (1) (C$'000)	Direct Loss Ratio (1)
Intact Insurance Company	$112,139	13.30%
Aviva Insurance Company of Canada	$103,475	21.87%
The Guarantee Co. of North America	~$87,000 (2)	-1.79%
Travelers Insurance Company of Canada	$85,155	89.14%
Trisura Guarantee Insurance Company	$49,783	7.16%
Zurich Insurance Company Ltd	$34,905	1350.00%
Liberty Mutual Insurance Company	$29,821	20.95%
Chubb Insurance Company of Canada	$28,215	-22.67%
Western Surety Company	$27,776	10.52%
Echelon Insurance	$23,218	53.94%

(1) Figures sourced from the Office of the Superintendent of Financial Institutions.

(2) Adjusted to exclude premium of related U.S. domiciled company.

CANADIAN SURETY DETERIORATING IN 2018

While individual company results varied in 2018, the overall industry in Canada suffered its worst year ever in 2018. The significant Carillion and Bondfield insolvencies made up a large part of the industry's 2018 losses, evidenced principally in Travelers' and Zurich's results. That said, even after removing those, the industry's loss ratio increased by over 50% from the prior year.

DRIVERS OF CLAIMS

Claims experience was largely driven by the 2 large contractor failures, where a myriad of issues were at play, including inadequate capitalization, financing complexities (AFP), inadequate pricing, and poor contractual risk mitigation. In both cases, an abundant backlog appears to have hurt the contractors, supporting the argument that "contractors don't starve to death, they die from gluttony".

WHAT DOES THIS MEAN FOR YOUR BOND FACILITY?

The loss trend seems to be continuing, with an increase in frequency, and a number of new losses unfolding in 2019. As a result, the outlook for the industry is the most volatile it's been in 20 years. What impact will this have on surety underwriting appetite in general ? How can you insulate your company against the effect of a possibly hardening surety market ? Contact a professional surety broker for guidance and input.

04.2019 V3