COMMERCIAL SURETY
UNDERSTANDING COMPLEX RISKS IN A CHANGING WORLD
Agenda

- Panel Introductions
- Sector Results
- Underwriting Approach and Process: Commercial versus Construction
- Challenges and Opportunities in Key Sectors
- Reinsurance Company Point of View
- Q & A
Panel Introductions

Ken Berk, Senior Vice President, Commercial Surety, Liberty Mutual Surety

John Boulton, Senior Vice President, Swiss Re America Holding Corporation

Matthew Haydon, Senior Vice President, Arch Insurance Group

Chris Parker, Vice President Commercial Surety, Chubb & Son

Brian Steele, Senior Vice President Commercial Surety, HCC Surety Group
License & Permit

2002 - 2011
Ten Year LR: 13.8%
Court Guarantees Judicial

- LR
- DWP

2002 - 2011
Ten Year LR: 17.3%
Financial Guaranty

2002 - 2011
Ten Year LR: 207.7%
All Other Financial Guarantees

2002 - 2011
Ten Year LR: 33.4%
Miscellaneous

Ten Year LR: 39.4%
Commercial Surety

2002 - 2011
Ten Year LR: 21.6%
COMPETITION

- New Entrants – Past Three Years
- Leadership Changes - Past Three Years
- Existing Markets
Commercial Underwriting Process

- Credit quality
  - Underwriter judgment
  - Internal credit scoring models
  - Third party opinions (S&P, Moody’s, Debt and Equity Pricing)
- Bond Type and Duration
- Management Quality
- Industry Outlook
- Collateral
- Indemnity
How Does the Construction Underwriting Process Compare?

Credit Quality drives both but...

- **Commercial**
  - Focus on underlying obligation, statutes
  - Financial payment & duration risk
  - Often publicly traded and public credit ratings
  - Access to debt and equity markets
  - Varied indemnity and collateral options

- **Construction**
  - Focus on underlying contract
  - Execution and cash flow risk
  - Often privately-held and no outside ratings
  - Little access to outside capital
  - Corporate and/or personal indemnity; rarely collateral
Challenges and Opportunities in Key Sectors

- Large Appeal Bonds
- Mining
- Workers Compensation Self-Insurers Bonds
- International Placements
- Private Equity Owners
- XS FDIC Protection
- Collateral
Reinsurance Company Point of View

- Competition
- Underwriting Talent
- Changes in underwriting
- Availability of product
- Pricing
- Trends
THANK YOU!!!!