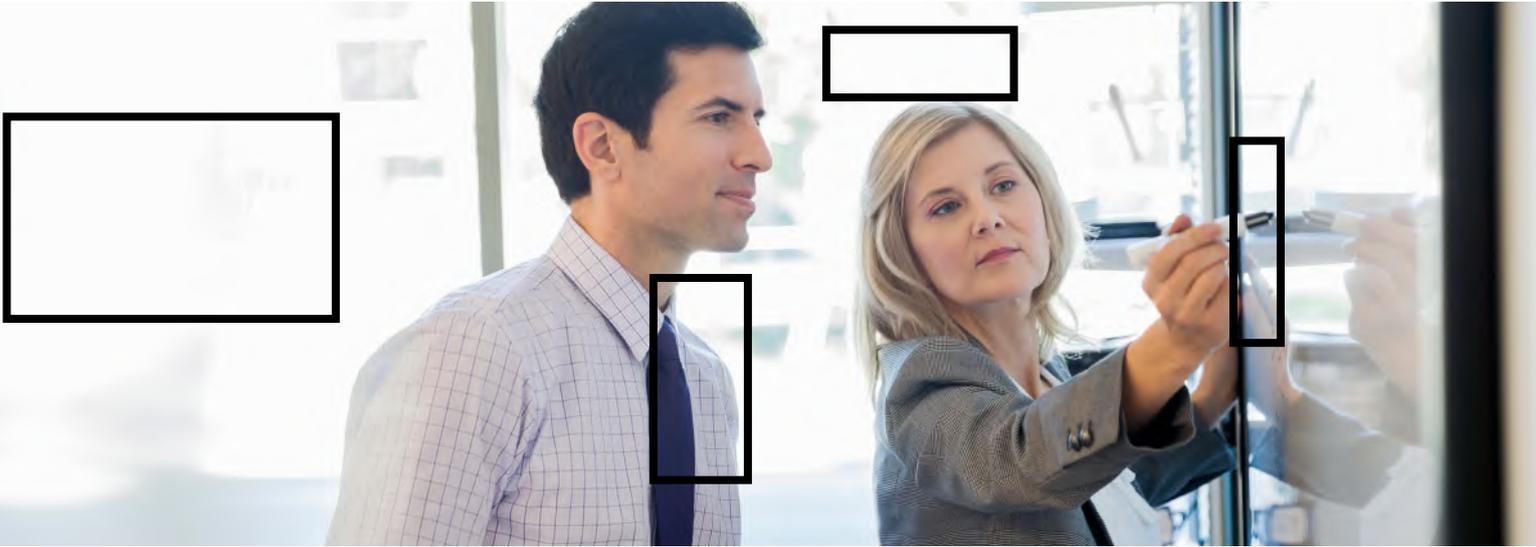


# Surety Market Update

Australia - April 2021



As economies begin to emerge and stabilise from the COVID-19 pandemic, the overall surety market is expected to remain stable but cautious with ample capacity for best in class companies.

- Impact from COVID-19 will likely come from financial distress due to economic uncertainty, delayed schedules, reduced access to facilities, workforce reduction and declines in revenue/cash flow.
- Insolvencies and court cases are tipped to rise due to the fallout of COVID-19 and as stimulus packages also dry up.
- Sureties are concerned with residential multi-unit/apartment builders and their risk to potential developers having cashflow problems.
- The inability to quickly and accurately quantify the initial impact will lead to conservative management of surety programs and capacity.



**Sureties are concerned with residential multi-unit/apartment builders and their risk to potential developers having cashflow problems.**

- While surety rates remain competitive for solvent companies, there is an expectation that rates will rise with local sureties re-valuing their portfolios and re-insurers seeking to recover losses in North America and Europe.
- As seen in 2020 a decline in the appetite is expected to continue in 2021 for new business across COVID-19 impacted industries. However, in saying this some sureties have recently opened their doors for new business provided the client meets strict underwriting criteria and guidelines.
- As the insurance industry has been impacted with COVID-19 claims, the surety industry doesn't anticipate a rise in claims in the short term.
- The construction sector is postponing or cancelling large projects locally and worldwide due to economic uncertainties, supply chain and material disruptions and varying lockdown orders across the globe. There is renewed hope that the Australian governments will invest in large sustainable infrastructure improvement plans to continue reviving the economy.

- Lessons from 2020 prompted many companies to review and mitigate their cash flow projections, liquidity obligations and expenses with leaders examining how to respond and move forward.
- Bonding for subcontractors on private and public projects is expected to increase in 2021. Head contractors are expected to use subcontractor bonding as evidence of the subcontractors' financial qualifications post-pandemic.

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## Contact Us



For more information please speak with your Willis Towers Watson broker, or contact:

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