SFAA Releases Recent Top 100 Surety and Fidelity Writer's Report

SFAA recently released the Top 100 Surety and Fidelity Writers reports which revealed a mixed bag for the surety and fidelity industry.

The Top 100 Surety Writers report showed another record year for the industry with respect to direct premiums written, which nearly reached the $7 billion mark. With an increase of 6% over 2018, the 2019 premiums of $6.95B represent the fifth straight year of record high premiums.

Direct losses incurred increased as well, rising from 13% to 19% annually, the annual
highest mark since 2012. The 26% 4th quarter 2019 loss ratio was also up significantly and represents the highest rate since the 4th quarter of 2012. It is interesting to note that this upturn happened prior to the onset of COVID-19.

The Top 100 Fidelity Writers report reveals that direct premiums written ($1.29 billion) is up slightly from 2018 ($1.26 billion) remains stable, staying with the $1.2-$1.3B range as it has since 2013. Losses were down from 38.4% in 2018 to 32.4% in 2019.

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**SFAA Hosts COVID-19 Webinar**

Last week, over 590 industry representatives participated in SFAA’s webinar COVID-19 Industry Updates. Lee Covington, President & CEO, led the hour-long program which provided an overview of the current COVID-19 situation, its impact on the surety industry and SFAA’s ongoing initiatives. SFAA’s team of Lee Ann Alexander, Julie Alleyne, Dalton DeFendis and Bill Heinbokel presented COVID-19 insights and updates and participated in a Q & A with the participants. The PPT portion of the presentation is available on SFAA’s website [here](#). The combined audio and visual will be posted this week.

Additionally, SFAA issued the press release: States Take Action to Ensure E-Signatures Are Accepted on Vital Surety Bonds During COVID-19 Pandemic. The release commends states for adopting common-sense solutions that help protect workers while allowing essential construction and other commercial services to continue uninterrupted. SFAA and NASBP have urged state agencies to promote the use of electronic bonding to ensure bonding can continue throughout the pandemic without unnecessarily exposing agents to COVID-19.

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**U.S. DoD Takes Action to Provide Flexibility for Electronically Executed Bonds**

On April 30, 2020, the U.S. Department of Defense (DOD) issued a class deviation to provide flexibility to DOD contracting officers "with regard to original documents, manual signatures, seals, and notarization in order to facilitate certain essential contracting procedures." The order allows DOD contracting officers to accept bond forms with electronic signatures in lieu of manual signatures and eliminates the requirement for any seals on those bonds. SFAA is highly supportive of the DOD’s action, which closely mirrors an order issued by the General Services Administration earlier this month. SFAA is continuing to urge other federal procurement agencies to take similar action to ensure surety bond agents are able to continue to provide bonds without unnecessarily exposing themselves to the COVID-19 virus in order to obtain in person signatures or in person notarizations.

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**SBA Highlights Second Round of PPP Lending as Industry Requests Further Clarification on the New Program Guidance**

Over the weekend, Treasury Secretary Mnuchin and SBA Administrator Carranza issued a statement on the success of second round of the Paycheck Protection Program (PPP) lending, noting that on April 27, 2.2 million loans were made to small businesses which surpassed the total number of loans made in the first round of $1.6 billion.
number of loans made in PPP Round 1. Importantly, the average loan size in PPP Round 2 was $79,000. The PPP program came under criticism during the first round of funding after several subsidiaries of large publicly owned companies were able to access loans.

Despite progress in providing smaller companies access to PPP capital, many industries, including the Construction sector remain concerned with how U.S. Treasury will enforce new guidance issued week’s after the first round of PPP loans were approved. AGC’s CEO, Stephen E. Sandherr, urged U.S. Treasury to revise its updated PPP guidance, in particular question 31 or its Frequently Asked Question (FAQ), stating that PPP applicants must consider their ability to access other sources of liquidity before certifying their application for PPP loans. This is the first time that SBA or Treasury has suggested the need to consider alternative liquidity and has not strongly defined steps to certify this new requirement. The updated guidance and comments from Treasury have sparked significant concerns of audits, or possibly even criminal or civil prosecutions, for firms that originally qualified for the loans. The SBA has announced a safe harbor until May 7, 2020, for borrowers to return loans if any of the SBA’s subsequent guidance has changed the validity application certifications.

SFAA Requests SBA to Relax Rules Preventing Bail Bond Companies from Accessing SBA Loans

SFAA submitted a letter to encourage the SBA to reconsider inclusion of the Bail Bond industry as qualifying for loans under the PPP. As a reminder, bail bonds agents were originally excluded from accessing loans through the PPP as they were categorized as a financial institution and lender. SFAA’s request supplements an earlier letter sent by the American Bail Coalition earlier this month strongly asking the SBA to reconsider its rules. A link to SFAA’s recent letter can be found here.

Looking to Find Relevant Compensation Data?

The annual industry Compensation Survey is underway! Members interested in participating may contact Allan Fitzgerald at afitzgerald@ccs-consultants.com. The Survey has been conducted for several years and has served as a very useful tool for collecting important trend data on industry salaries and benefits. Data collection will run through mid-May. Please contact Barbara Reiff for more information: breiff@surety.org.

STAY CONNECTED
The Surety & Fidelity Association of America (SFAA) is a trade association of more than 425 insurance companies that write over 98 percent of surety and fidelity bonds in the U.S. SFAA is licensed as a rating or advisory organization in all states and it has been designated by state insurance departments as a statistical agent for the reporting of fidelity and surety experience.