

Surety Bonds in Europe

Series prospectus

May 2016

Prospectus contents

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What is the research?

Finaccord's series of reports about surety bonds in Europe – composed of an overview covering Belgium, France, Germany, Italy, the Netherlands, Poland, Spain, Switzerland, Turkey and the UK, plus ten individual country-specific studies (which are subsets of the overview) – is about the market for surety bonds and related guarantees covering both contract bonds (e.g. bid, performance and advanced payment bonds) and commercial bonds (e.g. customs and tax bonds). Based in part on a survey of over 200 leading participants in this sector, it provides unique data concerning the value of the market for such bonds and guarantees across these countries, including trends from 2011 to 2015 plus the following segmentations of the market in 2015 alone:

- between the construction sector and other activities;
- between insurance companies, banks and other institutions (e.g. reciprocal guarantee companies);
- for insurance-backed surety bonds only, between domestic and non-domestic underwriters;
- for insurance-backed surety bonds only, between cover intermediated by brokers and cover underwritten directly.

In addition, and also using its industry survey, it highlights the underwriters of insurance-backed surety bonds that are most commonly used on a regular basis by brokers in each country plus the estimated market shares of underwriters of insurance-backed surety bonds in 2015 expressed as a percentage range (e.g. 5.0% to 7.5%). Finally, forecasts are provided for the likely value of the market for surety bonds and related guarantees in 2019, including a predicted segmentation of that value between insurance companies, banks and other institutions, again for each of the ten countries in scope.

What is the rationale?

Finaccord has produced this series of studies about surety bonds and related guarantees in Europe for a number of reasons. First, gross written premiums, commissions and other revenues from these products across the ten European countries investigated for this report were worth around EUR 9.07 billion in 2015 having grown at a nominal compound annual rate of 2.8% from EUR 8.12 billion in 2011. Moreover, within this market, sales of insurance-backed surety bonds alone were worth approximately EUR 2.50 billion in 2015 and are forecast to rise to around EUR 3.26 billion by 2019. As such, this is a substantial market.

Secondly, a gradual shift is taking place from the larger market for guarantees issued by banks and other entities to that for insurance-backed surety bonds which is linked to the Basel III reforms that came into effect in 2014. These stipulate that banks must hold an amount of capital that is adequate to cover their underlying business risks, and as a result, it is believed that banks are generally likely to scale back their operations in the surety bond sector, causing more business to flow instead to products underwritten by insurance companies.

Thirdly, this is an under-researched market which is in part a consequence of the fact that three types of competitor are active in it, namely banks, insurers and other types of entity such as reciprocal guarantee institutions and government agencies, with each offering bond and guarantee products that can substitute for each other. In fact, Finaccord's series of reports is the first that analyses the entire market taking into account all types of competitor, and it both updates and expands more limited public domain data from other sources.

What methodology has been used?

This series of reports is based on an extensive program of primary and secondary research that took place between November 2015 and April 2016. Notably, across the ten European countries in scope, Finaccord carried out a survey covering more than 200 leading entities involved in the market for surety bonds and related guarantees, including banks plus insurance brokers and underwriters, in order to derive further primary insights.

These survey results are then used to build upon data acquired from multiple sources including the AECM (Association Européenne du Cautionnement), ICISA (International Credit Insurance and Surety Association), Swiss Re, a variety of country-specific insurance associations, financial regulators, supervisory bodies and central banks (e.g. Assuralia and the NBB in Belgium), and the annual reports of insurers, banks and other surety bond providers.

What is the report structure (of the overview title)?

Executive Summary: provides a concise evaluation of the report's principal findings.

Introduction: discusses rationale, definitions and research methodology.

European Overview: an overview of the metrics contained in each country chapter (see below) that provides data concerning the value of the market for such bonds and guarantees across these countries, including trends from 2011 to 2015 with a forecast to 2019 plus segmentations of the market in 2015 alone between the construction sector and other activities, between insurers, banks and other institutions (e.g. reciprocal guarantee companies), between domestic and non-domestic underwriters (for insurance-backed surety bonds only), and between cover intermediated by brokers and cover underwritten directly (again, for insurance-backed surety bonds only).

Specific country chapters (10): for each of the ten countries in scope, these chapters provide the preceding data points in a country-specific format and also highlight the underwriters of insurance-backed surety bonds that are most commonly used on a regular basis by brokers plus the estimated market shares of underwriters of insurance-backed surety bonds in 2015 expressed as a percentage range (e.g. 5.0% to 7.5%). Finally, forecasts are provided for the likely value of the market for surety bonds and related guarantees in 2019, including a predicted segmentation of that value between insurance companies, banks and other institutions.

What are the key features of the research?

Key features of this report series include:

- quantification of the market size for surety bonds and related guarantees across Belgium, France, Germany, Italy, the Netherlands, Poland, Spain, Switzerland, Turkey and the UK: how much is each market worth, and where is the fastest growth occurring?
- segmentation of these markets between insurance companies, banks and other institutions: what is the magnitude of the opportunity in each of these market segments?
- specifically for insurance-backed surety bonds, identification of the underwriters that are used most frequently by brokers for this type of business and presentation of likely underwriter market shares: how fragmented is the market for surety bonds in each country and how much business is placed with non-domestic insurers?
- forecasts for the market for surety bonds in Europe segmented both by country and by provider type: what is this sector likely to look like in 2019 and to what extent may insurers gain share from banks as a result of the impact of Basel III reforms?

How can the research be used?

You may be able to use this report plus the accompanying market data file in one or more of the following ways:

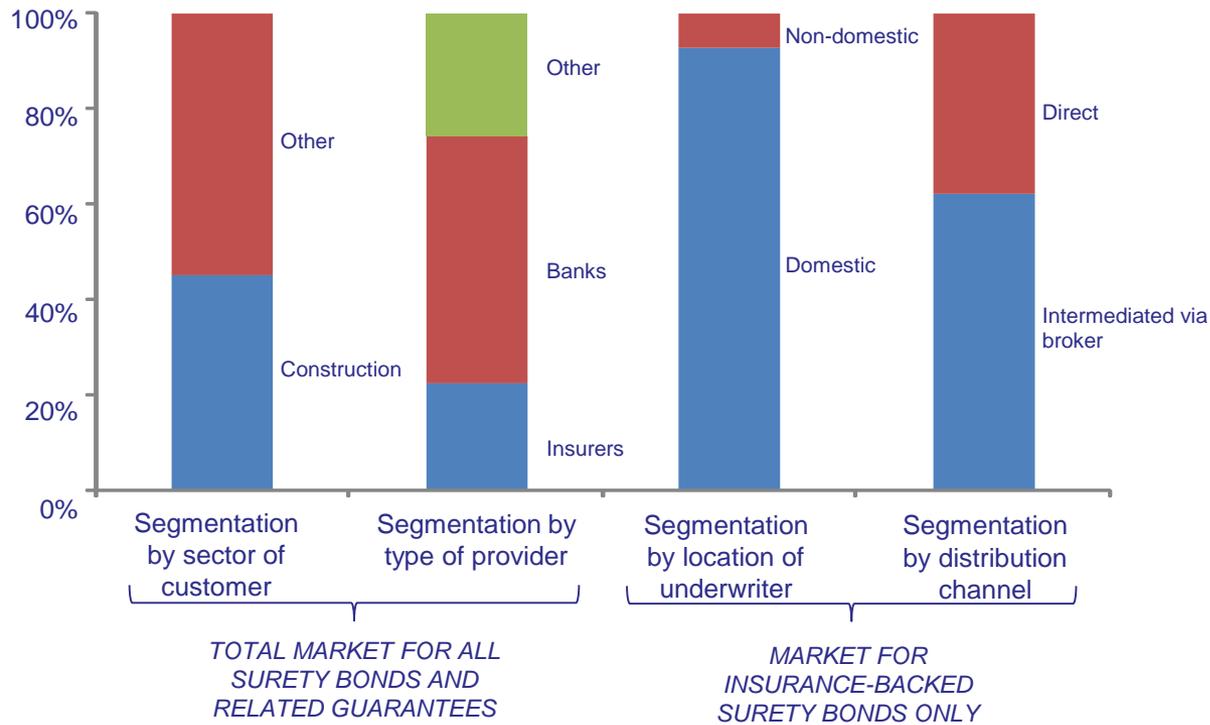
- to compare the size, segmentation and growth rates of markets for surety bonds and related guarantees across ten major European countries;
- to appreciate the proportion of the total market value in each country that is attributable to the construction sector and the impact that fluctuations in construction activity are having on that market value;
- to understand the competitive environment for broking and underwriting of insurance-backed surety bonds in each country, including the position of underwriters active across multiple countries such as Atradius, Euler Hermes and Zurich, plus the value of business that is dealt with directly by insurers (as opposed to being intermediated by brokers);
- to gain insight into the likely future direction and segmentation of the market for surety bonds and related guarantees in each of Belgium, France, Germany, Italy, the Netherlands, Poland, Spain, Switzerland, Turkey and the UK.

Who can use the research?

1. *Underwriters*: this report provides a unique analysis of a market for insurance-backed products that is forecast to be worth some EUR 3.26 billion across ten countries in Europe by 2019 and that offers valuable insights into its dynamics and future outlook for both actual and aspiring underwriters of surety bonds;
2. *Brokers*: in 2015, just under a half of the value of the market for insurance-backed surety bonds across the ten countries was distributed via brokers: your organisation can understand more about the competitive environment in this arena by subscribing to this research;
3. *Banks and other institutions*: across the ten countries, banks account for close to two thirds of the value of the total market for surety bonds and related guarantees, and other institutions (e.g. reciprocal guarantee companies) for a further sizeable chunk;
4. *Management consultancies*: is your organisation helping a market participant with its future plans for surety bonds and related guarantees in any or all of these ten countries? Save time researching the subject yourselves by accessing this publication.

What are some of the key findings?

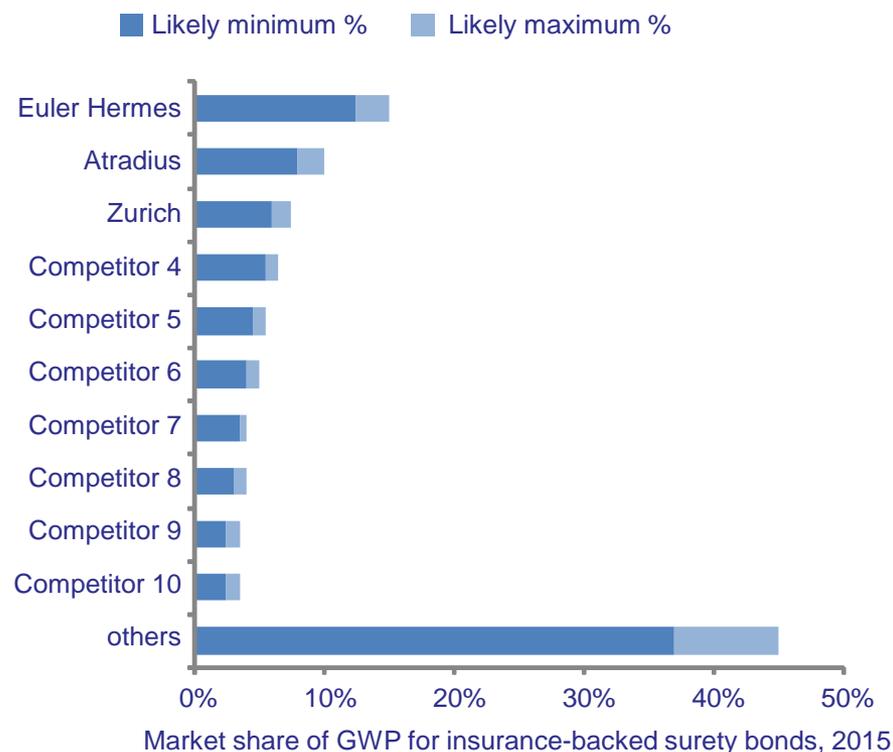
1. Around 45% of the value of the Spanish market for surety bonds and related guarantees is due to customers from the construction sector and over 20% of it is underwritten by insurers



Source: Finaccord Surety Bonds in Europe survey

What are some of the key findings? (cont.)

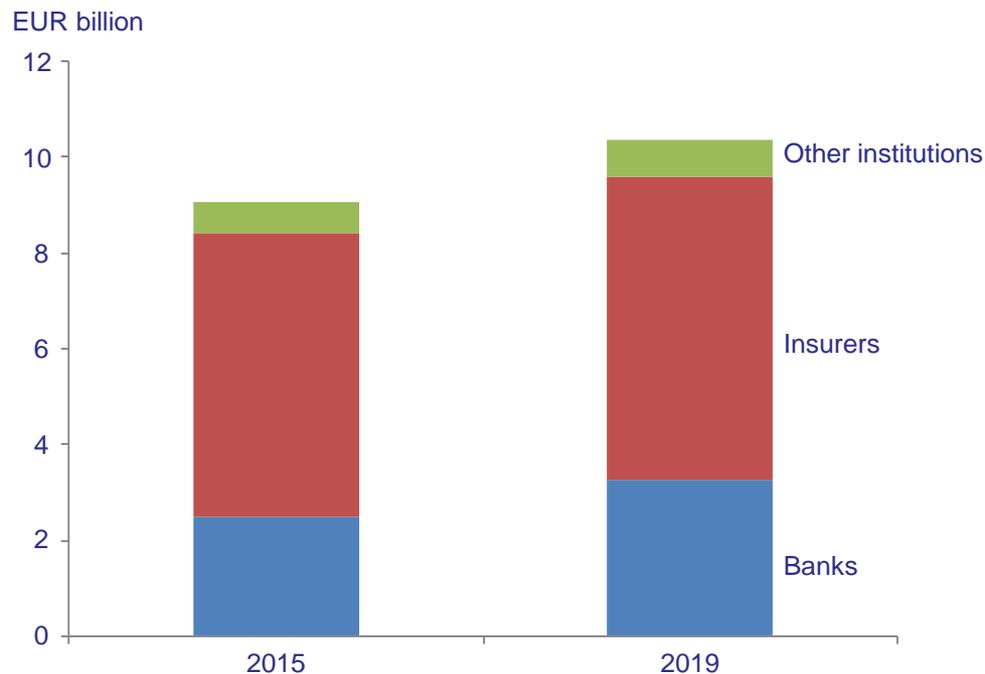
2. Across the ten European countries in scope, Euler Hermes is likely to be the leader by share of premiums in the market for insurance-backed surety bonds



Source: Finaccord analysis

What are some of the key findings? (cont.)

3. Across the same countries, insurers are likely to gain share up to 2019 within a total market for surety bonds and related guarantees forecast to be worth EUR 10.37 billion by that year



Source: Finaccord analysis

What are some of the key findings? (cont.)

4. Key findings from the executive summary include:

- gross written premiums, commissions and other revenues from surety bonds and related guarantees across the ten countries rose from a value of around EUR 8.12 billion in 2011 to around EUR 9.07 billion in 2015;
- insurance-backed surety bonds contributed around EUR 2.50 billion (or 27.6%) to the market total in 2015 with the lion's share due to guarantees issued by banks at around EUR 5.92 billion (or 65.3%) and a residual amount of EUR 653 million (or 7.2%) to guarantees issued by other entities;
- Euler Hermes accounted for between 12.5% and 15.0% of premiums paid for insurance-backed surety bonds across the ten countries in 2015, making it the market leader by this measure, followed by Atradius and Zurich;
- looking ahead, Finaccord forecasts that the total value of gross written premiums and commissions for all surety bonds and related guarantees earned by underwriters, banks and other entities across the ten European countries will increase to around EUR 10.37 billion by 2019 with insurance-backed surety bonds making up a predicted EUR 3.26 billion of this total.

What is the cost and format?

Surety Bonds in Europe is available as a standard PDF document and the market data file that accompanies it at no further charge is in *Excel* format. Prices for this study plus the ten country-specific reports published by Finaccord on this subject are as follows:

Surety Bonds in Europe	USD 4,195
Surety Bonds in Austria	USD 895
Surety Bonds in Belgium	USD 895
Surety Bonds in France	USD 895
Surety Bonds in Germany	USD 895
Surety Bonds in Italy	USD 895
Surety Bonds in the Netherlands	USD 895
Surety Bonds in Poland	USD 895
Surety Bonds in Spain	USD 895
Surety Bonds in Switzerland	USD 895
Surety Bonds in the UK	USD 895

** For Singapore-based clients, GST at the prevailing rate will be added to the basic price.*

Costs quoted are for a single site user licence only.

For a corporate user licence, please see the final slide for further details.

Invoices can be paid in EUR or GBP, at the prevailing exchange rate, if preferred.

For acquisition of multiple reports, please contact Finaccord - discounts may be available.

How can the research be purchased?

Simple. Just go to the relevant area of the Finaccord website, create your account (if you do not have one already) and place your order online. Products paid for online by card will be delivered immediately by e-mail but please allow up to one working day for delivery by e-mail if you choose to pay on receipt of invoice.

With regards to the **corporate user licence**, you will be asked to choose one of the following options:

1. One office, one country: no supplement over and above basic cost of reports ordered
2. Multiple offices, one country: additional 20% over and above basic cost of reports ordered
3. Multiple offices, two to ten countries: additional 50% over and above basic cost of reports ordered
4. Global (unlimited offices in unlimited countries): additional 100% over and above basic cost of reports ordered

Alternatively, you can place an order by sending your request to order@finaccord.com, clearly stating the product(s) required, associated price(s) and billing details for eventual invoice or card payment receipt.