

# Surety Risk Intelligence

## Strengthening disciplined growth in surety

Today's surety bond underwriting requires steady navigation of financial risk through uncertain macroeconomic forces.

Inflation, constrained credit, and macro volatility are raising the risk of nonperformance, even as the North American surety market continues to significantly expand in size.

Underwriting teams are expected to support growth while maintaining discipline, often with limited ability to distinguish risk across principals that appear similar.

The core challenge is decision quality. Underwriters need clearer, more consistent signals to assess principal financial health, apply standards at scale, and adjust decisions as market conditions and growth objectives change.

Moody's Surety Risk Intelligence addresses this challenge by introducing a forward-looking view of surety bond risk directly into your underwriting decisions.

Built on a fitted EDF-X Probability of Default-metric and calibrated to your surety bond portfolios, Surety Risk Intelligence provides consistent, objective risk scores across principals. The score complements underwriting judgment by giving teams a common framework to evaluate risk across submissions, portfolios, and market cycles.

Applied within underwriting workflows, surety risk scores help to:

- Differentiate principals that look similar on paper
- Apply clear and objectively based accept or reject decisions aligned to risk appetite and premium targets
- Reduce variability in decisioning across teams
- Maintain speed to binding while reinforcing discipline

Our illustrative portfolio analysis shows that automatically declining a small percentage of bonds associated with the highest surety risk scores leads to material performance improvement. Loss ratios improve, claims decline, and portfolio volatility is reduced, all without broadly restricting underwriting activity.

Surety Risk Intelligence also supports flexibility. Risk score thresholds can be adjusted as premium targets or market conditions change, allowing leadership to assess trade-offs between growth and profitability before making strategic shifts.

**The opportunity is clear: maintain growth trajectory without sacrificing underwriting discipline, improved loss ratio performance, and enhanced underwriting efficiency.**