CONSTRUCTION

SURETY MID-YEAR MARKET UPDATE 2026

Gallagher SPECIALTY

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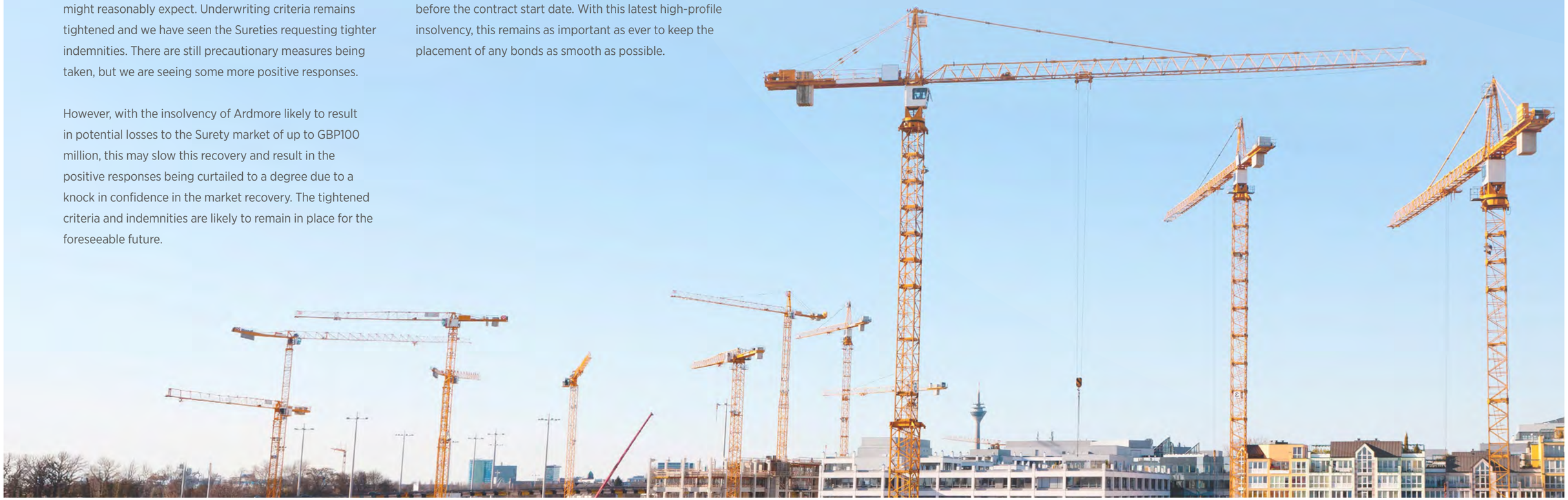
The Surety market is continuing to recover following a period of elevated claims activity and tighter underwriting conditions.

Prior to the recent insolvency of Ardmore, the UK Surety market had recovered well after the previous few years, with claims/losses having returned to levels that do not exceed the probable maximum losses that Sureties might reasonably expect. Underwriting criteria remains tightened and we have seen the Sureties requesting tighter indemnities. There are still precautionary measures being taken, but we are seeing some more positive responses.

However, with the insolvency of Ardmore likely to result in potential losses to the Surety market of up to GBP100 million, this may slow this recovery and result in the positive responses being curtailed to a degree due to a knock in confidence in the market recovery. The tightened criteria and indemnities are likely to remain in place for the foreseeable future.

As the Sureties require a certain level of information to be able to provide the best terms, we always recommend that information is sent to us as soon as possible and with enough time for the Surety to review the information before the contract start date. With this latest high-profile insolvency, this remains as important as ever to keep the placement of any bonds as smooth as possible.



NEW ENTRANTS

There have been new entrants in the market, which helps support market capacity. Rokstone, Advent and Intact have all recently joined the market; new Sureties are always welcomed to assist in relieving pressure on the other markets.

Surety markets are continuing to strive for a greater balance between their contract Surety and their commercial Surety books, and this is leading to a greater appetite for non-construction-related Surety products.

Our clients' order books remain strong and we are seeing an upturn in the market, with more bonds being requested again compared to previous years and that the Ardmore insolvency is not symptomatic of a wider market downturn. Although, where possible, contractors who are in a stronger position should try to negotiate a 5% bond instead of the standard 10%, which may help manage capacity.

WORDINGS

We are still seeing more onerous wordings from employers, which some Sureties may be less willing to accept due to the nature of the wording, as always, we recommend that the Standard ABI Bond wording is proposed however, if the employer has proposed a bond wording we ask that our clients send us the bond wording as early as possible before contracts are signed so if there are any amendments to be made by the Surety our client can go back to the employer as early as possible to discuss the amendments.

LOOKING AHEAD

The Government has recently introduced a bill aimed at prohibiting cash retentions in construction contracts. Should these proposals progress, Surety bonds could play an increasingly important role in providing an alternative form of security. Market participants are actively assessing the practical implications and potential solutions, and we will continue to monitor developments closely.

LET'S **TALK**

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