UNIVERSAL SOMPO GENERAL INSURANCE COMPANY LIMITED

SURETY BOND INSURANCE

PROSPECTUS

We are witnessing aggressive infrastructure development in recent years in India. These infrastructure projects requires the contractor to provide financial guarantees to project owners, typically the government.

To the cater to this vital requirement, IRDAI has considered necessary to promote and develop Surety Insurance business in India.

What is Surety Bond?

A surety bond can be defined in its simplest form as a written agreement to guarantee compliance, payment, or performance of an act.

Surety bond is provided by the insurance company on behalf of the contractor to the entity that is awarding the project.

Surety Bond Insurance involves three parties:

1. The first party is the **Principal** who is going to be the **Beneficiary**, if Surety Bond is called upon by them in case of non-performance by the contractor.

2. Second Party is the **Contractor**

3. The final party is the **Surety Provider** i.e. **Insurance Company**.

Surety bonds are mainly aimed at infrastructure development, mainly to reduce indirect cost for suppliers and work contractors thereby diversifying their options and acting as a substitute for bank guarantee.

There are three different types of Surety Bonds for infrastructure projects in India, each of which serves a specific purpose:

1. **Bid Bonds:** Bid bonds are issued to Contractors during the bidding process. Bid Bonds guarantee that the contractor will enter into a contract if their bid is accepted. The bond amount is usually a percentage of the bid amount and the contractor has to pay a premium to the surety company.

2. **Advance Payment Bond**: Advance Payment Bond provides guarantee when money is paid before goods or services are supplied by the contractor. So, if the principal agrees to make an advance payment to the contractor, a bond may be required to secure the payment against default by the contractor in case of nonperformance of any of the contractual obligations by the contractor.

3. **Performance Bonds:** Performance bonds are issued after the contract is awarded and guarantees that the contractor will complete the Project as per the Contract Terms. If the contractor fails to meet the obligations, the Surety Bond Insurance Company will compensate the project owner (Principal) for the losses incurred.

Forms of Surety Bonds – There are two forms of surety bonds a:

Unconditional Surety Bonds: An unconditional surety bond is a guarantee that is not subject to any conditions. It is a type of bond where the surety agrees to pay a specific amount of money to the beneficiary in case the principal (contractor) fails to fulfill the contractual obligations. Such a bond is also known as a performance bond. It guarantees that the work will be performed as per the terms of the agreement.

Conditional Surety Bonds: On the other hand, a conditional surety bond is a guarantee that is subject to specific conditions. The surety agrees to pay the beneficiary only if the principal fails to fulfill the obligations as per the terms of the bond. The conditions may include completing the work within a specific timeframe, adhering to specific standards, or ensuring compliance with regulatory requirements.

What is the tenure of the Policy?

Bonds are issued for short term as well as long term. The tenure of the policy shall depend upon the contract bond period and may vary depending upon the requirements of the contract.

What are the exclusions under this Policy?

Major exclusions under the policy are as follows:

1. Any change or addition to the Contractor's liability, including to any third party, arising out of any negligent act(s) or omissions in the course of its performance of the Contract
2. Any third-party loss not part of the contract.
3. Non-performance or non-fulfilment of terms /conditions of the contract.
4. Any price fluctuation.
5. Fraudulent acts
6. Failure by the Insured to pay premium.
7. Contract Bonds without defined limitation in time and amount
8. Any loss arising out of Act of God perils.
9. Radioactivity and Nuclear Risk.
10. War / Terrorism.

Underwriting consideration for computation of the premium

- Premium computation will depend on the following risk features:
  - Financial health of the company,
  - Project tenure,
  - Contract value
  - Other factors such as age of the company, experience and credit score etc.

How are claims dealt with under these policies:

- In an event, which gives rise to a claim or might become a claim under the Policy, it must be reported to insurer as soon as possible.

This being a niche and specialized product, it requires detailed analysis / scrutiny of the event giving rise of a claim. Our claims team aims to deliver service with a fair, convenient and transparent claims process so your claim is settled without any hassle.

<u>Claim process – Surety Bond Insurance</u>

1. **Identifying the Claim**: The claimant / insured must identify the basis for filing a claim under the terms of the surety bond. This could be due to non-performance, default, or other breaches of the bonded agreement/ policy.

2. **Intimation** : The claimant must intimate the Insurance company in accordance with the terms of the bond by submitting claim form and supporting documentation. Claim intimation can be done either though e-mail or USGI toll free no. Email – Contactclaims@universalsompo.com Toll Free no. – 1800-22-4030/1800-200-4030

Tentative list of documents to submit at the time of claim intimation –

- Dully filled claim form

- A copy of the surety bond.
- Any correspondence related to the claim.
- Documentation supporting the claim i.e contracts, invoices, photographs or project documents.
- Proof of main borrower incapability of paying up the liability.
- Agreement copy with surety and also with main borrower
- Proof of payment by surety of the amount to lender
- Any other documents supporting the claim

3. **Investigation**: The insurance company will investigate the case by appointing Lawyer. This may involve reviewing the bonded agreement, interviewing involved parties, and assessing evidence provided by the claimant etc.
4. **Decision**: Based on the findings, the insurance company will decide whether to accept or deny the liability.

Throughout this process, it's essential for all parties involved to adhere to the terms outlined in the surety bond and to provide accurate and timely information to facilitate the resolution of the claim.

Contact Us for Queries, Requests and Suggestions

Toll free Nos: 1800 - 22- 4030 or 1800-200-4030

Crop toll free no: 1800 200 5142 Senior Citizen: Toll free: 1800 267 4030.

Email : contactus@universalsompo.com

Courier: Universal Sompo General Insurance Co. Ltd, Unit No- 601 & 602 A Wing, 6th Floor, Reliable Tech Park, Cloud City Campus; Thane- Belapur Road, Airoli- 400708

Prohibition of Rebates (Section 41 of the Insurance Act 1938)

1. No person shall allow or offer to allow, either directly or indirectly as an inducement to any person to take out or renew or continue an insurance in respect of any kind or risk relating to lives or property in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the policy, nor shall any person taking out or renewing or continuing a policy, accept any rebate except such rebate as may be allowed in accordance with the prospectuses or tables of the Insurer
2. Any person making default in complying with the provisions of this section shall be liable for a penalty, which may extend to Ten Lakh rupees.

Note: The above are only some of the salient features of the Policy, for further details please refer to the complete Policy Wordings; Company website and/or contact your Insurance Broker