



### Introduction:

Surety bond insurance is available for **principals** (the party that needs to fulfill an obligation), such as contractors or businesses, who need to provide a guarantee to an **Obligee** (the party that requires the guarantee), like a government agency or a project owner. This insurance acts as a financial safety net, ensuring the Obligee that the principal can meet contractual obligations or legal requirements.

### Who is providing the Coverage?

Royal Sundaram General Insurance Co. Limited is providing the coverage under this Policy.

### Who are the parties in the Royal Surety Bond Insurance?

- ✓ **Principal debtor (the applicant/insured):** This is the individual or business that needs the surety bond Insurance to fulfil contractual or regulatory obligations. They are either
  - **Contractors:** Especially those in the construction industry who need to guarantee they will complete a project according to the terms of their contract or
  - **Business owners:** Companies that need a bond to operate under a license or complete a specific task.
- ✓ **Beneficiary (the recipient of the guarantee):** This is the entity that is requiring the bond as a guarantee of the principal's performance. They are either
  - **Project owners:** Companies or government bodies awarding a contract for a project or
  - **Government entities:** Agencies like the National Highways Authority of India (NHAI) or other regulatory bodies that require a bond for licensing or compliance.
- ✓ **Surety:** Royal Sundaram General Insurance Co. Limited, who gives the guarantee that the Principal debtor will fulfil the obligations.

### What is the Insuring Clause of the policy?

The Surety undertakes to pay the amount claimed by the Beneficiary, up to the available limit of the Bond Value, subject to the terms, exclusions, limitations, and conditions contained herein or otherwise endorsed hereon this Royal Surety Bond Insurance applies to:

- a) Insolvency of the Principal debtor - The Principal debtor shall be deemed to be insolvent for the purpose of this Insurance when:
  - I. the Principal debtor is declared bankrupt by the competent Court/Tribunal of jurisdiction OR
  - II. the Principal debtor has made a valid assignment, composition or other arrangement for the benefit of its Creditors OR
  - III. a Receiver / Administrator / Liquidator has been appointed by the Court/Tribunal to manage its estate OR
  - IV. an order by the competent Authority has been made for compulsory winding up OR



- V. an effective resolution has been passed for voluntary winding up provided that this resolution is not merely for the purpose of reconstruction or amalgamation OR
  - VI. an arrangement binding on all Creditors has been sanctioned by the appropriate Court/Tribunal OR
  - VII. such conditions exist as are, by any other system of law, substantially equivalent in effect to any of the foregoing conditions.
- b) Non-fulfilment, non-performance of obligations or breach of terms and conditions stipulated in the Original Contract (between the Principal debtor and the Beneficiary) by the Principal debtor and limited to the value and type of Bond issued and mentioned in the Policy Schedule.

#### What are the types of Bond covered under the policy?

There are five (5) type of bonds available under this Royal Surety Bond Insurance and it is mandatory to opt one of them.

1. Bid Bond
2. Advance Payment Bond
3. Performance Bond
4. Retention Money Bond
5. Replacement Bond

##### **BID BOND:**

- ✓ It is an obligation undertaken by the **Principal debtor**, promising that the **Principal debtor** would, if awarded the contract, furnish the prescribed performance guarantee and enter into contract agreement within a specified period of time. It provides financial protection to the **Beneficiary** if the **Principal debtor** is awarded a contract pursuant to the bid documents, but fails to sign the contract and provide any required performance and payment bonds.

##### **ADVANCE PAYMENT BOND:**

- ✓ It is a promise by the Surety to pay the outstanding balance of the advance payment in case the **Principal debtor** fails to complete the **Original Contract** as per specifications or fails to adhere to the scope of the **Original Contract**.

##### **PERFORMANCE BOND:**

- ✓ It provides assurance that the **Beneficiary** would be protected if the **Principal debtor** fails to perform the bonded contract. If the **Beneficiary** declares the **Principal debtor** as being in default and terminates the **Original Contract**, it can call on the Surety to meet the Surety's obligations under the bond.

##### **RETENTION MONEY BOND:**

- ✓ It is a part of the amount payable to the **Principal debtor**, which is retained and payable at the end after successful completion of the **Original Contract**.

##### **REPLACEMENT BOND:**

- ✓ It means any signed proposal/e-proposal by filling up the questionnaires and declarations, written statements and any information in addition thereto supplied to **Royal Sundaram** by **Policyholder** or on **Policyholder's** behalf.

Any other type of bond as per evolving requirements can be availed by the insured by contacting Royal Sundaram.

**What are the Standard exclusions under the policy?**

This Royal Surety Bond Insurance does not apply to:

- a. The Original Contract signed between the Principal debtor and the Beneficiary is not established, invalid, cancelled or terminated before the Insured Risks occur.
- b. Intentional, gross negligence, illegal or criminal acts by or between the Beneficiary and/or Principal debtor.
- c. The Principal debtor and/or Beneficiary or its employees commit fraud, collude, bribe, or use any illegal means to enter the Original Contract.
- d. The Principal debtor and Beneficiary maliciously collude to violate the Original Contract.
- e. The Beneficiary and the Principal debtor change or amend or modify the contents of the Original Contract without the prior written consent of the Surety.
- f. General Exclusions such as, war, nuclear, pollution, acts of god, force majeure, administrative, or judicial actions other than caused by the Principal debtor.
- g. Any expenses incurred by the Beneficiary for collecting, confirming, and proving that the Principal debtor breached the Original Contract that resulted in claims.
- h. Any legal cost or expenses incurred in the litigation, arbitration, and execution by the Beneficiary to collect, confirm, and prove that the Principal debtor fails to perform the Original contractual obligation.
- i. Any third party loss not part of the Original Contract between Beneficiary and Principal debtor.
- j. Any price fluctuation in execution of the project.
- k. Liquidated damages, late fees, fines, and punitive damages
- l. Failure by the Principal debtor to pay premium, provide necessary letter of Indemnity or security.
- m. Non-performance or non-fulfilment of the terms and conditions of the Original Contract arising out of or due to delay in obtaining permissions or approvals from any statutory, regulatory, judicial authorities or Beneficiary relating to execution of the Project.
- n. Non-performance or non-fulfilment of the terms and conditions of the Original Contract arising out of or due to delay in payments of outstanding or receivables due to the Principal debtor by the Beneficiary.
- o. Non-performance or non-fulfilment of the terms and conditions of the Original Contract arising out of any law for the time being in force under which the Principal debtor is dispensed with the performance of the underlying Original Contract either impliedly, through conduct or otherwise.
- p. Any amendment or modification under the Original Contract Documents, Original Contract Terms, Principal debtor 's Obligations and Original Contract Conditions after the Contract Bond is issued and is still in force.
- q. Any change in or addition to the Principal debtor's liability including to any third party, arising out of any negligent act (s) or omissions in the course of its performance of the underlying Original Contract.



- r. Any specific event (s) agreed by and between the Beneficiary and the Principal debtor under the Original Contract including but not limited to any event of force majeure (which shall have the same meaning as ascribed to the term under the Original Contract and in law) and which may result into frustration and/or impossibility of execution of the Project as recognized under law;
- s. Any events arising out of, based upon or attributable to change in management, acquisition or change in control of the Beneficiary or the Principal debtor after the Bond is issued and is still in force.

#### What is the duration of the policy?

The duration of the policy will follow the period of Bond/contract as mentioned in the Bond document and policy schedule.

#### What is the procedure for cancellation of the policy?

- a. Before Bond Inception Date
  - i) The **Principal debtor** may cancel this Royal Surety Bond Insurance any time before the inception of bond by giving a written notice with consent of the **Beneficiary** along with the bond. In such a case, the Surety would refund the paid premium after deduction of administrative expenses.
  - ii) The Surety may cancel the policy by giving a minimum notice of 7 days to the **Principal debtor** and **Beneficiary** in the event of misrepresentation, non-disclosure of any material fact, established fraud or non-cooperation. In such a case, the Surety would refund the paid premium after deduction of administrative expenses.
- b. After Bond Inception Date
  - i) The **Principal debtor** may cancel this Royal Surety Bond Insurance any time after the inception of bond by giving a written notice with consent of the **Beneficiary** along with the bond. There shall be no refund of the bond premium and **Surety** shall be entitled to retain all premiums paid to the Insured.
  - ii) The Surety may cancel the policy by giving a minimum notice of 7 days to **Principal debtor** and **Beneficiary** and all premiums paid hereon shall be forfeited by the Surety in the event of misrepresentation, non-disclosure of any material fact, established fraud or non-cooperation.

#### What is the Claims procedure?

##### 1. Claim intimation:

- The Beneficiary can Call – 1860 258 0000 / 1860-425-0000 or write to [care@royalsundaram.in](mailto:care@royalsundaram.in) for intimation. However, the Beneficiary must submit a written invocation of the bond within its validity period, clearly specifying the nature of default or breach of contract by the Principal debtor.

##### 2. Submission of documents:

The Beneficiary is required to submit relevant documents, including the copy of the original contract, termination notice, and all supporting correspondence or evidence substantiating the claim.



**3. Claim process and Assessment:**

- a. **Investigation:** We will investigate the claim to verify its validity. This involves reviewing the contract, the bond form, and the claim details.
- b. **Decision:** If the claim is valid, we will initiate claims processing and our decision to determine liability will be based on the nature of bond type whether conditional or unconditional.
- c. **Payment:**
  - i) We will make the claim payment in accordance with the terms of the Surety Bond and upto the bond value as specified in the Policy Schedule.
  - ii) We will have full rights of subrogation based on the Deed of Indemnity against the Principal debtor in relation to the bond value called and to the security/collateral attached under the Surety Bond Insurance via deed of indemnity.
- d. **Recoveries.**
  - ii) We will retain the right to recover from the Principal debtor by enforcing the Deed of Indemnity and/or the security/collateral.
  - iii) The Principal debtor can approach us with repayment plan to settle the claim paid to the Beneficiary. The repayment plan will be subjected to the approval and agreement by us.

We may also consult with a legal professional when dealing with surety bond claims.

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**Section 41 in the Insurance Act, 1938**

**41. Prohibition of rebates**

(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 of 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 published prospectuses or tables of the insurer: Provided that acceptance by an insurance agent of commission in connection with a policy of life insurance taken out by himself on his own life shall not be deemed to be acceptance of a rebate of premium within the meaning of this sub-section if at the time of such acceptance the insurance agent satisfies the prescribed conditions establishing that he is a bona fide insurance agent employed by 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: In case of any conflict, the terms and conditions mentioned in the policy document shall prevail.***