

# Kshema Surety Bond Insurance

## Prospectus

We, at Kshema General Insurance provide Surety Bond Insurance. It is a specialized insurance product cater to the requirements of Contractors of various sectors.

### **What is Surety Bond?**

Surety Bonds are legally binding contracts that provide financial protection and assurance by a third party (Surety Insurer) to ensure that the party fulfils its obligations or commitments commonly used in various industries.

### **Why is Surety Insurance required?**

Surety insurance is a risk transfer tool for the Project owner/Obligee and shields them from the losses that may arise in case the Principle/contractor fails to perform their contractual obligation. The product gives the Obligee a contract of guarantee that contractual terms and other business deals will be concluded in accordance with the mutually-agreed terms.

In case the contractor does not fulfil the contractual terms, the Obligee can raise a claim on the surety bond Insurer and recover the losses they have incurred. Unlike a bank guarantee, the surety bond insurance does not require a large collateral from the contractor, thus freeing up significant funds for the contractor, which they can utilise for the growth of the business

### Parties involved:

There are 3 parties involved in Surety Bond Insurance. One is Obligee/Project owner (Beneficiary) who requires the surety bond usually government entities like NHAI, large public sector undertakings issuing contracts for their projects to build/construct.

Second party is Principal Contractor who is the company that is purchasing the bond to ensure performance of a particular project awarded to them in a bidding process.

Third party is the Surety Bond Insurer who issue the Bond on behalf of the Principal contractor to the Obligee/Project owner that the Principal can fulfil the contractual tasks and indemnifies the assured bond amount to the Obligee in case of non fulfilment of the contract.

### **What is Indemnity Bond?**

The Principal contractor gives Indemnity Bond to the Surety Insurer promising to repay the amount of loss and expenses of all nature in case the Surety Insurer pays the agreed Surety amount to the Obligee upon revocation of surety bond.

### **Type of Bonds**

#### **Conditional Surety Bond**

A conditional surety bond is issued with specific conditions or requirements outlined in a contract. These conditions define what the bonded party must fulfil or achieve for the bond to remain valid. To revoke the conditional surety bond the Obligee has to prove that the Principle contractor fails to fulfil his obligations under the contract.

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**Unconditional Suety Bond**

Unconditional surety bonds do not require any specific performance conditions and offer comprehensive financial protection like Bank guarantee.

**Claim Procedure:**

- ✓ The Oblige must provide a written demand to the Principal Debtor if a contract is terminated due to a default allowing an opportunity for cure if the contract specifies a cure period.
- ✓ The written demand is sent to the Surety Insurer with a copy to the Principal Debtor and must include relevant documentation such as termination notices, payment certificates and communication between the parties.
- ✓ The Principal Debtor is legally obligated to repay the claim amount to the Surety Insurer according to the Indemnity agreement terms
- ✓ In case of conditional surety bond, the Surety Insurer has the discretion to review the demand and assess the extent of the default to determine the amount payable under the bond.
- ✓ The Surety Insurer must give the Principal debtor another opportunity to pay the claim amount before making a payment to the Oblige.
- ✓ If the Principal debtor does not pay within 14 days to the Oblige, the Surety Insurer pays with 45 days of receiving the necessary documentation.

**Grievance Redressal:**

Any grievance relating to the Policy or Claim, you may send your grievance to our GRO at [gro@kshema.co](mailto:gro@kshema.co). You can also contact our Toll free No. 1800 572 3013 and also mail to our [customercare@kshema.co](mailto:customercare@kshema.co)

Grievance may also be lodged at IRDAI Integrated Grievance Management system <https://bimabharosa.irdai.gov.in>. You can also make use of IRDAI's online portal – Bima Bharosa Portal by registering Your complaint at <https://bimabharosa.irdai.gov.in>

You can approach the Insurance Ombudsman depending on the nature of grievance and financial implication, if any. Information about Insurance Ombudsmen, their jurisdiction and powers is available on the website of the Insurance Regulatory and Development Authority of India (IRDAI) at [www.irdai.gov.in](http://www.irdai.gov.in), or of the General Insurance Council at <https://www.cioins.co.in/ombudsman>, or on company website.