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CIN: U66030MH2007PLC173129, IRDAI Reg. No. 141

RQBE SURETY BOND INSURANCE – PROSPECTUS

UIN: IRDAN141CPSU0002V01202526

Important Note

This Prospectus provides a summary of RQBE Surety Bond Insurance product. It is not an insurance contract. For complete details, terms and conditions, please refer to the Policy Wording and Schedule issued by Raheja QBE General Insurance Company Limited.

Why Surety Bond Insurance?

Surety Bond Insurance serves as a risk transfer mechanism and an effective alternative to traditional Bank Guarantees, providing protection to the Beneficiary / Project Owner against potential losses arising from the Contractor's failure to fulfil contractual obligations.

The product ensures that the agreed contractual terms and business commitments between the parties are honoured as per mutually agreed conditions. In the event of non-performance, default, or breach by the Contractor, the Beneficiary may invoke the Surety Bond and recover the resultant losses in accordance with the contractual and policy terms.

Unlike a Bank Guarantee, Surety Bond Insurance does not generally require large collateral or margin money from the Contractor, thereby freeing up working capital for the Contractor to channel into project execution and business growth.

Key Features of the Product

a. Parties Involved:

A Surety Bond Insurance contract involves three parties:

- **Beneficiary/ Obligee/ Project Owner/Creditor** – Entity requiring the bond (often Government bodies like NHAI or large corporates)
- **Contractor/Obligor/Principal/Insured/Principal Debor** – Entity purchasing the bond to obtain protection for performance of contractual obligations
- **Surety/ Insurer (RQBE)** – The insurance company issuing the bond and undertaking to indemnify the Beneficiary in the event of default by the Contractor

b. Nature of Cover:

Surety Bond Insurance provides indemnity to the Beneficiary for actual financial losses suffered due to the Contractor's non-performance, default, or breach, subject to the bond amount, contractual terms and policy conditions.

Types of Bonds Offered

At least one of the following bond types must be selected at the time of policy issuance. The product allows issuance of one or more bond types as per project requirements.

1. **Bid Bond (Tender Bond)**

   Offers protection to the Beneficiary against the risk of the bidder withdrawing their bid or failing to enter into the contract once awarded. In such cases, the Beneficiary may recover re-tendering or associated costs under the bond.

2. **Performance Bond**

   Offers protection to the Beneficiary against non-performance, delay, or breach of contractual obligations by the Contractor. In such cases, the insurer indemnifies the Beneficiary up to the bond amount. The bond may be invoked at contractual milestones or upon completion if performance is defective or delayed.

3. **Advance Payment Bond**

   Protects the Beneficiary in cases where advance payments have been paid to the Contractor, but resources have not been mobilized or work not performed as per contract terms. Losses due to such non-performance can be recovered under the bond.

4. **Retention and Maintenance Bond**

   This bond provides protection to the Beneficiary for both retention and maintenance obligations under the contract. Retention is offered in lieu of cash retention and secures the Contractor's obligations during the construction period, ensuring that the work is completed as per the agreed specifications. Maintenance serves as a warranty against defects or deficiencies identified after completion of the work, during the defect liability or maintenance period. If the Contractor fails to fulfil these retention or maintenance obligations—such as rectifying defects or non-conformities—the Beneficiary may invoke the bond to recover the related costs.

Policy Term

- The tenure of the Surety Bond shall be aligned with the project duration and contractual requirements.
- **Maximum term**: Up to **60 months** (including maintenance/defect liability period and extensions), or as per the contractual obligation, whichever is earlier.

Eligibility – Who Can Buy?

- Contractors, corporates, EPC companies, project developers, SMEs and MSMEs engaged in government or private projects requiring Surety Bonds
- Government bodies, PSUs, or private project owners as Beneficiaries
- A Surety Bond is issued by the Insurer on behalf of the Contractor or business entity as a protection to the Beneficiary against non-performance or contractual breach.

Exclusions

The Surety shall have the right to claim release from its obligations and shall not be liable under this Surety Bond for or in relation to any of the following:

1. The Original Contract signed between the Insured and the Beneficiary is not established, or is invalid, cancelled, or terminated by either of the parties before the Insured Risks occur.
2. Intentional, gross negligence, illegal or criminal acts by or between the Beneficiary and/or Insured.
3. The Insured and Beneficiary maliciously collude to violate the contract.
4. The Beneficiary and the Insured change, amend, or modify the contents of the Original Contract without the prior written consent of the Surety.
5. Any third-party loss not forming part of the Original Contract between the Beneficiary and the Insured.
6. Failure by the Insured to pay premium, provide necessary letter of Indemnity or security.
7. Any specific event(s) agreed by and between the Beneficiary and the Insured under the Original Contract, including but not limited to any event of force majeure (as defined in the Original Contract or

applicable law) and which may result in frustration and/or impossibility of execution of the Project as recognized under law.

8. This Surety Bond shall not cover or operate as a financial guarantee in respect of any loan, lease, or financial transaction, including but not limited to repayment obligations, debt servicing, or any arrangement aimed at raising finance

Claim Intimation

- The Beneficiary must invoke the bond through a written notice signed by an authorized signatory, submitting the original Surety Bond to Raheja QBE.
- Upon admissibility, Raheja QBE will indemnify the Beneficiary for actual loss suffered, subject to the bond amount and contract terms.
- Kindly refer the Policy Wordings for detailed information.

Illustrative Examples *- for understanding only*

1. **Insolvency:**
   ABC Construction (Contractor) was awarded a project by XYZ Ltd (Beneficiary). As per the requirement, ABC furnished a Surety Bond of INR 2 Crores to XYZ Ltd issued by Raheja QBE. After completing 40% of the work, ABC became insolvent and abandoned the project. XYZ invoked the bond for the losses incurred. Raheja QBE indemnified XYZ for the actual losses up to the bond amount, as per contractual and policy terms.

2. **Non-performance of Contractual Terms:**
   ABC Construction (Contractor) was awarded a road development project by XYZ Infrastructure (Beneficiary). ABC failed to meet the quality specifications and progress milestones as stipulated in the contract, despite repeated notices. XYZ invoked the Surety Bond issued by Raheja QBE. Raheja QBE indemnified XYZ for the verified losses incurred due to the Contractor's non-performance, in accordance with the policy and contractual terms.

3. **Delay in Project Completion:**
   ABC Engineering (Contractor) entered into a contract with XYZ Power (Beneficiary) for installation of a power substation. Due to inadequate resource deployment, ABC failed to complete the project within the agreed timeline. The delay led to financial losses for XYZ. XYZ invoked the Surety Bond, and Raheja QBE compensated the loss up to the bond amount, as per the terms of the bond and policy.

4. **Failure to Remobilize After Suspension:**
   ABC Infrastructure (Contractor) suspended site work due to internal management issues and failed to remobilize even after notice from the Beneficiary, resulting in project delays and cost overruns. The Beneficiary invoked the Surety Bond, and Raheja QBE indemnified the verified losses within the bond limit.

Grievance Redressal

If you have any grievance, the Policyholder/Beneficiary may approach

Grievance Cell
Raheja QBE General Insurance Company Limited Fulcrum,
501 & 502, A wing, 5th Floor, International Airport project road, Sahar, Andheri East, Mumbai - 400059, India.
Toll free: 1800-102-7723 (Toll Free - 9 Am to 8 PM, Monday to Saturday)
E-mail: customercare@rahejaqbe.com

- Escalation level 1- complaintsofficer@rahejaqbe.com
- Escalation level 2- grievancehead@rahejaqbe.com

Alternatively, Grievance may also be lodged through the following channels:

- IRDAI Integrated Grievance Management System – https://www.cioins.co.in/
- Insurance Ombudsman – Contact details of the Insurance Ombudsman offices are provided in Annexure-B of the Policy Document.
- Bima Bharosa Portal - https://bimabharosa.irdai.gov.in/
- Send the complaint through Email to complaints@irdai.gov.in.
- Call Toll Free No. 155255 or 1800 4254 732.
- Send the communication in physical form addressed to IRDAI as below:

  General Manager
  Insurance Regulatory and Development Authority of India (IRDAI) Policyholder's Protection & Grievance Redressal Department – Grievance Redressal Cell.
  Sy.No.115/1, Financial District, Nanakramguda, Gachibowli, Hyderabad – 500 032.

Disclaimer

This Product Information Statement is intended to facilitate an easier understanding of the policy terms, conditions, and exclusions. It only provides a summary of significant benefits and risks associated with this product. This document is not a legal contract and does not describe the entire terms, conditions, and exclusions of the Policy. The Policy represents the legal contract between the Insured and Raheja QBE General Insurance Company Limited. For any clarification, please contact your nearest RQBE office or your insurance advisor.

Section 41 of Insurance Act, 1938

No person shall allow or offer to allow, either directly or indirectly as an inducement to any person to take out renew or continue an insurance in respect of any kind of risks 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 our or renewing or continuing a Policy accept any rebate, except such rebate as may be allowed in accordance with the published prospectus or tables of the insurer.

ANY PERSON MAKING DEFAULT IN COMPLYING WITH THE PROVISIONS OF THIS SECTION SHALL BE PUNISHABLE WITH FINE WHICH MAY EXTEND TO TEN LAKH RUPEES.

Insurance is the subject matter of solicitation.