



## IFFCO-TOKIO GENERAL INSURANCE CO. LTD

Regd. Office: IFFCO Sadan, C-1, Distt. Centre, Saket, New Delhi-110017

### IFFCO-TOKIO SURETY BOND INSURANCE - CONDITIONAL (COMMERCIAL)

UIN: IRDAN106CPSU0002V01202425

Wording

#### I. PREAMBLE

This **Surety Bond Insurance** is evidence of the contract between **IFFCO-Tokio General Insurance Company Limited** (herein after called 'We') and **Policyholder**. The proposal along with any written statement(s), declaration(s) of **Policyholder** for purpose of this **Surety Bond Insurance** forms part of this contract.

In consideration of premium payment made by **Policyholder**, **We** shall provide the Surety Bond Insurance cover, as detailed in Insuring Clause, unless otherwise agreed, subject to provisions, conditions, pre-requisite and conditions as specified in this insurance document, for surety period as specified in the **Schedule**, or for any subsequent period for which **We** have agreed in writing.

Any word or expression to which a specific meaning has been stated in any part of this **Surety Bond Insurance** shall bear such meaning wherever it may appear.

#### II. DEFINITION OF WORDS

1. **Advance Payment Bond**

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

2. **Bid Bond**

It is an obligation undertaken by the Principal, promising that the Principal 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 Principal is awarded a contract pursuant to the bid documents, but fails to sign the contract and provide any required performance and payment bonds.

3. **Bond Value**

It means the total monetary amount of **Surety's** liability during the **Surety Bond Insurance** period. **Surety's** total liability to pay shall not exceed **Bond Value** irrespective of the number of persons or entities named as Insured(s) in the Schedule or added by endorsement.

4. **Original Contract**

It means the underlying contract between the Principal and Beneficiary.

5. **Obligee/Beneficiary/Creditor**

The party who is named as Beneficiary in Schedule.

6. **Obligor/Principal/Insured/Policyholder**

It means the Company/the Entity/person named as Insured in the Schedule that purchases the Surety Bond Insurance as a guarantee and undertakes a commitment to perform the obligations as per the Original Contract entered.

**7. Performance Bond**

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

**8. Proposal/Bond Application Form**

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

**9. Retention Money Bond**

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

**10. Schedule**

It means the schedule issued by **IFFCO-Tokio** as part of **Policyholder's** Surety Bond Insurance. It provides details of **Policyholder's** Surety Bond Insurance and the period of cover **Policyholder** has against the liabilities described.

**11. Surety Period**

It means the period as shown in the Schedule during which the Surety Bond Insurance is in force unless terminated earlier in accordance with the **Cancellation Clause**.

**12. We/ IFFCO-Tokio/Surety**

It means **IFFCO-TOKIO GENERAL INSURANCE COMPANY LTD.**

### **III. OPERATIVE CLAUSE**

This Surety Bond Insurance is issued by IFFCO-Tokio General Insurance Company Limited (hereinafter referred to as 'the Surety') to the Insured/Obligor (hereinafter referred to as 'the Principal') first named in the Schedule attached herewith. Whereas the Insured has made a written proposal and declaration ('the Proposal') on the date specified in the Schedule attached herewith and has agreed and paid the premium stated in the non-binding agreement prepared by the Surety. Now, therefore, in consideration of the said premium paid by the Insured and any further premium that may become payable under the Insurance, the Surety hereby agrees to indemnify the Oblige (hereinafter referred to as 'the Beneficiary') from the Principal's inability or failure to fulfil the terms and conditions within the agreed period (hereinafter referred to as 'Insured Risks') as set out under the Original Contract/agreement between the Principal and the Beneficiary.

### **IV. INSURING CLAUSE**

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 **Surety Bond Insurance** applies to:

- a) Insolvency of the Principal- The Principal shall be deemed to be insolvent for the purpose of this Insurance when:
- i. any filing of a petition for bankruptcy by or against the Principal before any court/ tribunal OR
  - ii. the Principal is declared bankrupt by the competent court/ tribunal of jurisdiction OR
  - iii. the Principal has made a valid assignment, composition or other arrangement for the benefit of its creditors OR
  - iv. a Receiver / Administrator / Liquidator has been appointed by the court/ tribunal to manage its estate OR
  - v. an order by the competent Authority has been made for compulsory winding up OR
  - vi. 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
  - vii. an arrangement binding on all creditors has been sanctioned by the appropriate court/ tribunal OR
  - viii. 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 and the Beneficiary) by the Principal and limited to the value and type of Bond issued and mentioned in the Schedule.

## **V. COVERAGE**

There are 4 type of bonds available under this Surety Bond Insurance and it is mandatory to opt one of them.

- A. Bid Bond
- B. Advance Payment Bond
- C. Performance Bond
- D. Retention Money Bond

## **VI. EXCLUSIONS**

This Surety Bond Insurance does not apply to:

- a) The Original Contract signed between the Principal and the Beneficiary is not established, invalid, cancelled or terminated by either of the parties before the Insured Risks occur.
- b) Intentional, gross negligence, illegal or criminal acts by or between the Beneficiary and/or Principal.
- c) The Principal and/or Beneficiary or their employees commit fraud, collude, bribe, or use any illegal means to enter the Original Contract.
- d) The Principal and Beneficiary maliciously collude to violate the Original Contract.
- e) Any Dispute between the Principal and the Beneficiary.
- f) The Beneficiary and the Principal change or amend or modify the contents of the Original Contract without the prior written consent of the Surety.
- g) General Exclusions such as, war, nuclear, pollution, acts of god, force majeure, administrative, statutory, regulatory or judicial actions other than caused by the Principal.
- h) Any expenses incurred by the Beneficiary for collecting, confirming, and proving that the Principal breached the Original Contract that resulted in claims.
- i) Any legal cost or expenses incurred in the litigation, arbitration, and execution by the Beneficiary to collect, confirm, and prove that the Principal fails to perform the Original contractual obligation.
- j) Any third party loss not part of the Original Contract between Beneficiary and Principal.
- k) Any price fluctuation in execution of the project.
- l) Liquidated damages, late fees, fines, punitive damages, exemplary damages, or any other damages or compensatory damages.
- m) Failure by the Principal to pay premium, provide necessary letter of Indemnity or security.

- n) 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.
- o) 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 by the Beneficiary.
- p) 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 is dispensed with the performance of the underlying Original Contract either impliedly, through conduct or otherwise.
- q) Any amendment or modification under the Original Contract Documents, Original Contract Terms, Principal's Obligations and Original Contract Conditions after the Contract Bond is issued and is still in force.
- r) Any change in or addition to the Principal'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.
- s) Any specific event (s) agreed by and between the Beneficiary and the Principal 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;
- t) Any events arising out of, based upon or attributable to change in management, acquisition or change in control of the Beneficiary or the Principal after the Bond is issued and is still in force.

## VII. GENERAL CONDITIONS

### 1. **Bond Value**

- a. The Bond Value is the maximum limit of liability by the Surety. It is the bond value that the Surety guarantees the Beneficiary on the performance of the Principal according to the terms and conditions and based on a legal and valid Original Contract signed between the Principal and the Beneficiary.
- b. Application for Bond Value shall be made to the Surety by the Principal and the Surety will issue a non-binding agreement with the terms and conditions.
- c. The Bond Value is determined based on percentage of the Original Contract value and such percentage or absolute value is mentioned in Schedule.
- d. The Bond Value shall stand automatically cancelled:
  - when the entire Bond Value is paid.
  - when the Principal fulfils the contractual obligation and the Contract Bond is returned.

### 2. **Bond Period**

- a. The bond period is the duration that begins from the date of signing and ends on the expiry date of the Surety Bond.
- b. The maximum bond duration including Original Contract, maintenance period and extensions is based on the Surety bond.
- c. The bond period can be extended beyond the period specified in the Schedule with the approval of the Surety and the payment of premium for the duration of the extension.
- d. Upon the expiry or termination of the Surety bond, the Principal should obtain the Surety Bond from the Beneficiary and return to the Surety within 5 working days.

### 3. **Bond Premium**

The bond premium shall be determined by the Surety according to the bond value, the bond period and specific risk condition and factors including but not limited to, the performance record of the Principal, financial performance, business operation and qualification, project, collateral.

4. **Surety Obligation**

- a. The Surety will provide the Principal with the Bond Application Form when the Principal makes a formal request in writing. Upon validation of the application form by the Surety and additional documents that are required, the Surety will conduct an assessment on the Principal.
- b. Subject to the outcome of the assessment and at the sole discretion of the Surety, a non-binding agreement with all the terms and conditions will be issued to the Principal.
- c. The Surety will issue the Surety Bond Insurance and the Deed of Indemnity to the Principal after receiving the non-binding agreement signed by the Principal.
- d. Upon receiving the bond call from the Beneficiary, the Surety shall initiate the claims process.

5. **Principal's Obligation**

- a. The Principal shall truthfully inform and provide all required and necessary information to the Surety for the conclusion of the Surety Bond Insurance.

The Surety has the right to terminate the Surety Bond Insurance, if the Principal fails to fulfil the obligation in the preceding paragraph or due to gross negligence, which is sufficient to influence the Surety's decision to agree and issue the Surety Bond Insurance.

If the Principal intentionally or knowingly fails to fulfil the obligation to inform truthfully, the Surety shall not be liable for any claims and shall not refund the insurance premium.

- b. The Principal shall pay the bond premium as agreed with the Surety. If the Principal fails to pay the bond premium in full by the agreed date, the Surety shall not be liable for any claim or bond call that occur before the payment of the insurance premium.

- c. The Principal shall notify the Surety immediately on any discovery of any event or circumstances that could materially affect the completion of the work and could potentially lead to a bond call.

6. **Indemnification**

Subject to the terms, exclusions, limitations, and conditions contained herein or otherwise endorsed hereon, the Surety agrees as follows:

a. Claims

- i) The Surety will pay upto the bond value as specified in the Schedule and subject to the maximum liability as specified in the Schedule.

- ii) The Surety shall make the claim payment only if the Beneficiary has duly complied with all the terms of the Surety Bond and has sent the Surety all written evidence of the bond call and, if applicable, of the insolvency of the Principal.

- iii) The Surety shall have full rights of subrogation based on the Deed of Indemnity against the Principal in relation to the bond value called and to the security attached under the Surety Bond Insurance.

- iv) In the event of an arbitration between the Principal and the Beneficiary under the Arbitration & Conciliation Act 1996, a certified copy of the award or judgement in favour of the Beneficiary is required, binding on both parties and enforceable by law.

- v) The total amount paid by the Surety in respect of the claims relating to the bond value arising from the Principal risks in a single insurance period shall not exceed the maximum liability.

b. Recoveries.

- i) Surety will initiate legal action on the Principal by enforcing the Deed of Indemnity and/or the security and collateral.

- ii) The Principal can approach the Surety with repayment plan to settle the claim paid to the Beneficiary. The repayment plan will be subjected to the approval and agreement by the Surety.

7. **Observance of the Terms of the Contract Bond**

The due observance and fulfilment of the terms of this Surety Bond Insurance in so far as they relate to anything to be done or not to be done by the Principal and the Beneficiary and the truth and completeness of all statements and information supplied to the Surety by the Principal will be conditions precedent to be complied with by the Principal and the Beneficiary for the Surety to make any payment under this Surety Bond Insurance.

- a. The Principal shall pay the premium and other charges set out in the Schedule as well as all stamp duty or similar government charges or taxes, or transfer charges and any other charges if applicable.
- b. The Principal shall secure and take all steps necessary to maintain a legally enforceable Contract with the Beneficiary at the time the Insured Risks occur.
- c. The Principal cannot sub-contract, transfer, assign, authorise the Original Contract to another party unless agreed by the Surety in writing and the Surety reserves the right to revise the premium rate.
- d. The Principal shall give immediate notice but no later than 15 days of any fact/event/circumstance which can materially change the nature of the risk during the duration of the Surety Bond Insurance and the Surety reserves the right to amend the terms of the Surety Bond Insurance in such circumstances.
- e. The Principal shall declare to the Surety, all outstanding projects within the timelines specified in the Schedule.
- f. The Principal shall not offset any amount owed to the Surety unless otherwise agreed by the Surety in writing.
- g. The Principal acknowledges the right of the Surety to verify the Insured's compliance with the obligations mentioned in the Surety Bond Insurance and undertakes to facilitate the exercise of this right, in particular by providing all relevant documents / records in the Principal's possession or control and permitting extracts and copies thereof to be made. The Principal shall also permit and assist the examination of their books of accounts by the Surety or its representatives at all times.
- h. The Principal shall obtain all authorisations, approvals, permissions and /or licenses from any authority so required to perform the Insured Original Contract and to receive payment thereunder in accordance with the regulations in force and all reasonable measures shall be taken to ensure their validity for the duration of the Surety Bond Insurance period.
- i. The Principal shall do and concur in doing and permit to be done all such acts and things as may be necessary or reasonably required by the Surety for the purpose of enforcing any rights and remedies or for obtaining relief and indemnity from other parties to which the Surety shall be or would become entitled upon their paying any loss under the Surety Bond Insurance whether such acts and things shall be or become necessary or required before or after payment is made hereunder by the Surety.
- j. The Principal shall observe and comply with all laws and regulations of which it should reasonably have been aware, unless prohibited from so complying by a law, order, decree, or regulations in force.

8. **Notice**

All notices provided for all purposes in connection with this Surety Bond Insurance shall be in writing vide any valid electronic mode of transmission (including by facsimile transmission) and given to the Surety , as applicable, at the physical address stated in the Schedule, for the service of all notices for all purposes in connection herewith.

9. **Cancellation**

- a) Before Bond Inception Date



- i. The Principal may cancel this 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 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 may cancel this Surety Bond Insurance any time after the inception of bond by giving a written notice with consent of the Beneficiary along with the bond. In such a case, the Surety shall refund the pro-rata premium of the unutilized period after retaining 20% of the refund.
- ii. The Surety may cancel the policy by giving a minimum notice of 7 days to Principal and Beneficiary and all premiums paid hereon shall be forfeited to the Surety in the event of misrepresentation, non-disclosure of any material fact, established fraud or non-cooperation.

10. **Applicable Law & Jurisdiction**

Any dispute concerning the interpretation of the terms, conditions, limitations and /or exclusions contained herein is understood and agreed to by both the Insured and the Surety to be subject to Indian Law. Each party hereby agrees to submit to the jurisdiction of the competent Courts at Delhi NCR exclusively, and to comply with all the requirements necessary to give such Court the jurisdiction. All matters arising hereunder shall be determined in accordance with the law and practice of the Courts at Delhi NCR.

11. **Sanction Clause**

Surety shall not be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose Surety to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America.

12. **Arbitration Clause**

Any dispute or claim arising out of or in relation to this Surety Bond Insurance shall be referred to and resolved by arbitration under the Arbitration & Conciliation Act, 1996, enacted in India. The arbitration proceedings shall be conducted in English under and in accordance with the provisions of the said Arbitration and Conciliation Act 1996.

The seat of arbitration shall be the place of issuance of this Surety Bond Insurance or any other place in India as agreed by the parties and the parties shall bear costs of fees and expenses of arbitral tribunal in equal proportion until unless otherwise stated in arbitral or other order/award.

13. The Proposal Form, Surety Bond Insurance, Schedule and Deed of Indemnity shall be read together as part of this Insurance Policy.

14. **Failure to comply with conditions**

The due observance and performance of each term, warranty, obligation and conditions contained herein or in the proposal and declaration shall be a condition precedent to liability of the Surety and to the enforcement thereof by the Insured. Any failure to comply with the conditions shall render the Surety Bond Insurance voidable at the option of the Surety.

15. **Severability**

- a) If any provision of this agreement is invalid, unenforceable or prohibited by law, this agreement shall be considered divisible as to such provision and such provision shall be inoperative and the remainder of this agreement shall be valid, binding and of the like effect as though such provision was not included therein.
- b) The parties shall make all reasonable endeavours to agree as far as possible that invalid or illegal terms shall be amended or replaced by valid or legal terms as the case may be, with a similar effect in order to maintain the purpose and continuity of this agreement.

**16. Claim Settlement**

In case of a claim, the Beneficiary can contact the Policy servicing office as mentioned in the Schedule with following:

- i) Written demand for invocation of the Surety Bond mentioning the amount and the condition/s breached by the Principal. The said demand must also (wherever applicable) record and attach copy that an opportunity given to the Principal to rectify the alleged Default, as per the terms of the underlying Original Contract, was provided but the said alleged fault has not been cured by the Principal.
- ii) Complete Claim form
- iii) Any other necessary documentation required by the Surety, as deemed necessary to establish the Principal's liability and/or the quantum of the claim payable under this Surety Bond.

**17. Revision of Terms and Conditions**

The terms and conditions of the policy, including premium rate may be subject to change on renewal.

**18. Get In Touch With IFFCO-Tokio**

In case of any query, the Insured may contact IFFCO-Tokio through:

Company Website: [www.iffcotokio.co.in](http://www.iffcotokio.co.in)

Address: IFFCO-Tokio General Insurance Co Ltd.

IFFCO Tower, Plot no. 3,

Sector -29, Gurgaon – 122001.

**19. Redressal of Grievance**

In case of any grievance, the Insured may contact IFFCO-Tokio through:

Website: <https://www.iffcotokio.co.in/customer-services/grievance-redressal>

Grievance Registration: Follow the above-mentioned link and fill the details to register the grievance.

Toll Free: 1800-103-5499

Email: [chiefgrievanceofficer@iffcotokio.co.in](mailto:chiefgrievanceofficer@iffcotokio.co.in)

Address: Chief Grievance Officer

IFFCO-Tokio General Insurance Co Ltd.

IFFCO Tower, Plot no. 3, Sector -29,

Gurgaon – 122001

Insured may also approach the grievance cell at any of the company's branches with the details of grievance. The list of branches with addresses are available at <https://www.iffcotokio.co.in/contact-us>.

If Insured is not satisfied with the redressal of grievance through one of the above methods, Insured may contact the grievance officer at [chiefgrievanceofficer@iffcotokio.co.in](mailto:chiefgrievanceofficer@iffcotokio.co.in).

For updated details of grievance officer, kindly refer the link

<https://www.iffcotokio.co.in/contact-us/customer-services/grievance-redressal>.



