Ministry of Road Transport & Highways

NHAI Accepts First Insurance Surety Bond as Bid Security for NHAI TOT Bid for Monetization

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To boost liquidity and capacity of bidders, NHAI has accepted Insurance Surety Bond for the monetization program of the upcoming bid of Toll Operate Transfer (TOT) Bundle 14. This will be the first time this innovative instrument is being utilized as a Bank Guarantee (BG) in the road infrastructure sector for monetization of bids. NHAI has been working closely with Highway Operators Association of India (HOAI), SBI General Insurance and AON India Insurance to implement this initiative.

Insurance Surety Bond has been issued for NHAI monetization bid of TOT bundle 14 @ 0.25% by the insurer without any margin money. This will translate into big saving for Concessionaires, which will further enhance liquidity in the market, thereby fostering an environment conducive to the growth and development of the road sector.

Issuance of Insurance Surety Bond will set a new benchmark for the industry, highlighting the importance of innovative financial solutions in the evolving landscape of road infrastructure development. It will encourage private participation in the highway sector and will be a significant step towards facilitating ‘Ease of Doing Business’.

Since 2022, NHAI has received 1,665 BGs amounting to Rs.15,000 crore. This large volume of BGs offers a huge scope for Insurance Companies and wider adoption of surety bonds will boost availability of capital for road projects. NHAI has urged insurance companies and contractors to use Insurance Surety Bonds as an additional mode of submitting Bid Security and /or Performance Security. So far, over 40 Surety Bonds have been issued for various NHAI contracts.

Insurance Surety Bonds are instruments where insurance companies act as ‘Surety’ and provides the financial guarantee that the contractor will fulfil its obligation as per the agreed terms. Ministry of Finance, Government of India has made e-BG and Insurance Surety Bonds at par with Bank Guarantees for all Government procurements.

Instruments like Insurance Surety Bonds will help to strengthen National Highway Infrastructure development, which has cascading positive impact on Indian economy.

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