

# Gadkari launches country's first-ever surety bond insurance for infra projects

**Our Bureau**  
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The country's first ever 'surety bond insurance' product developed by Bajaj Allianz General Insurance, was launched by Nitin Gadkari, Union Minister of Road Transport & Highways, on Monday.

Surety bond insurance — which will help replace bank guarantees — is expected to optimise capital for contractors while giving a fillip to the infrastructure sector.

## **BUILDING INFRA**

In Budget 2022-23, Finance Minister Nirmala Sitharaman had announced that surety bond insurance



Nitin Gadkari at the launch of the 'Surety Bond Insurance'

would be allowed as a substitute for bank guarantees in case of government procurement and also for gold imports.

Surety bond insurance, which is mainly aimed at infrastructure development, is a risk transfer tool that shields the principal from the losses that may

arise in case the contractor fails to fulfill contractual obligation. The principal can raise a claim on the surety bond and recover the losses incurred.

## **IMPETUS TO GROWTH**

Unlike a bank guarantee, the surety bond insurance does not require large collateral from the contractor, reduces contractors' debts to a large extent and facilitate infrastructure projects.

Nitin Gadkari, Minister of Road Transport & Highways, Government of India, said "With this new instrument of surety bonds, the availability of both liquidity and capacity will be boosted."

Tapan Singhel, MD &

CEO, Bajaj Allianz General Insurance said surety bond insurance will prove to be an effective tool for the industry and will allow contractors to take up more projects as the product will help them optimise capital.

"As this specialised class of business grows, employment opportunities will increase multi-fold, thus benefiting society", he said.

The surety insurance business will assist in developing an alternative to bank guarantees for construction projects.

This would enable the efficient use of working capital and reduce the requirement of collateral to be provided by construction companies.