

Contract Guarantee / Bond Insurance

(PERFORMANCE BOND)

PRODUCT DISCLOSURE SHEET

(Read this Product Disclosure Sheet before you decide to take out the Contract Guarantee/ Bond Insurance. Be sure to also read the general terms and conditions.)

1. What is this product about?

An Insurance Bond is basically a contract of guarantee given by an insurance company (the surety) whereby this contract guarantees one party (the Principal) that the Insured will fulfil his obligations (to pay an amount of money or to perform a contract). The most common types of bonds in use in connection with the construction industry are:

Performance Bond

All Bond acceptances are guided by PIAM's Bond Underwriting Guidelines implemented on 1st June 2000.

2. What are the covers / benefits provided?

Performance Bond

This type of bond is usually required by the Principal to ensure that the Contractor fulfills his contractual obligations e.g. within the period specified or in accordance with the conditions of the contractor.

The bond value is usually 5% of the contract value but this may vary.

If the Contractor does not complete the contract within the time specified and if no extension in the period is allowed, then the Bond or Guarantee is liquidated.

3. How much premium do I have to pay?

The total premium that you have to pay may vary depending on the underwriting requirements of the insurance company.

The estimated total premium that you need to pay is RM_____ (Tax [where applicable]).

A minimum premium of RM200.00 must be charged for every Bond.

Please refer to the agent or the Insurance company directly for more information.

4. What are the fees and charges that I have to pay?

| Type | Amount |
|---|--|
| • Commission paid to the agent. | 10% of the Premium or RM_____ |
| • All stamp duty charges payable under the Stamp Duty Act 1949 are to be borne by the Contractor. | The prevailing stamp duty charges are as follows:- i) Bond-RM10.00 ii) Letter of Indemnity-RM10.00 each Note: Penalty charges incurred in stamping of documents after 30 days grace period must be borne by the Contractor unless the delay was caused by the Insurer. The penalties provided under the Stamp Duty Act are as follows: - a) Up to 3 months - RM25.00. b) Above 3 months up to 6 months - RM50.00; and c) Above 6 months - RM100.00 |
| • Service Charge | Min. 0.25% per annum subject to a min. RM50.00 |
| • Tax (where applicable) | Subject to the prevailing rate as imposed by the Government of Malaysia |
| • Cash Collateral security | i) Bonds RM2.0 million & below : Min. 20% of the sum insured of the Bond |

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Formerly known as AmGeneral Insurance Berhad

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(Service Tax Registration No.: B16-1808-31015443)

ii) Bonds exceeding RM2.0 million: Min. 20% on the first RM2.0 million of the sum insured and min. 50% on the amount in excess of RM2.0 million

5. What are some of the key terms and conditions that I should be aware of?

5.1 Mode of Payment for Bonds: CASH-BEFORE-RELEASE

Payment (i.e. premium and cash collateral) shall be received by Insurers before the Bond is released.

5.2 Every piece of document (as per our Bond Documents Checklist) is vital for the assessment of the financial viability of the project proposed and must be written most carefully. The contractor must be sound, both technically and financially, and have good track records. The most undesirable contractors are those companies who are set up to use their political advantage (not their experience and track records) to get contracts and then sub-contract the entire project to someone else. Under such arrangement, the main contractor usually loses control over the project and unless the sub-contractor is reputable and has a good track record, chances that the project will fail is much higher than a contractor who retains substantial control over the project.

5.3 There are certain peculiar features in Bonds:-

a) A bond once given, cannot be cancelled before its expiry date and a discharge letter must be obtained from the Principal/ Beneficiary of the Bond.

b) All bonds issued to contractors for Government projects are demand bonds (in the form of Insurance Guarantees) and are worded in such a way that they can be invoked by the holder of the bond without any reason and explanation. The Insurer is obliged to pay upon demand notwithstanding any dispute or protest by the contractor or insurer or any third party.

5.4 Bonds are mainly underwritten channeled through Agents who are well-versed in the trade.

6. What are the major exclusions under this policy?

There is no exclusion stipulated in the Bond wordings/ policy. However, Insurers are not allowed to underwrite financial guarantees and bond/ indemnity as listed below:-

- 1) Foreign Workers' agencies involved in recruiting foreign workers. This would include foreign maids agencies.
- 2) Tourist agencies for management of foreign tourists in Malaysia.
- 3) Lost share certificates.

The bond/ indemnity that cannot be underwritten by insurers includes but not limited to the list as specified above. This list is non-exhaustive. Please refer to the agent or the insurance company directly for more information.

7. Can I cancel my policy?

No. Once a Bond is given, it cannot be cancelled before its expiry date and a letter of discharge must be obtained from the Principal/ Beneficiary of the Bond.

8. What do I need to do if there are changes to my contact details?

It is important that you inform us of any changes in your contact details to ensure that all correspondences reach you in a timely manner.

9. Where can I get further information?

If you have any enquiries, please contact us at:
Liberty General Insurance Berhad (Formerly known as AmGeneral Insurance Berhad)
Liberty Insurance Tower,
CT9, Pavilion Damansara Heights,
3, Jalan Damanlela, Pusat Bandar Damansara,
50490 Kuala Lumpur
Email : customer@kurnia.com
Website : www.kurnia.com

10. Other types of Bond Insurance cover available.

Please refer to our branches and agents for other similar types of cover available.

IMPORTANT NOTE: YOU SHOULD SATISFY YOURSELF THAT THIS POLICY WILL BEST SERVE YOUR NEEDS. YOU SHOULD READ AND UNDERSTAND THE INSURANCE POLICY AND DISCUSS WITH THE AGENT OR CONTACT THE INSURANCE COMPANY DIRECTLY FOR MORE INFORMATION.

Liberty General Insurance Berhad (formerly known as AmGeneral Insurance Berhad) is licensed under the Financial Services Act 2013 and regulated by Bank Negara Malaysia to transact all classes of general insurance business.

The information provided in this disclosure sheet is valid as of 01 March 2024.

The benefit (s) payable under this eligible policy is protected by PIDM up to limits. Please refer to PIDM's TIPS Brochure or contact Liberty General Insurance Berhad or PIDM (visit www.pidm.gov.my)