



सत्यमेव जयते

# भारतीय राष्ट्रीय राजमार्ग प्राधिकरण

(सड़क परिवहन और राजमार्ग मंत्रालय, भारत सरकार)

## National Highways Authority of India

(Ministry of Road Transport and Highways, Government of India)

जी-5 एवं 6, सेक्टर-10, द्वारका, नई दिल्ली - 110 075 • G-5 & 6, Sector-10, Dwarka, New Delhi-110075

दूरभाष/Phone : 91-11-25074100 / 25074200



### ADVISORY

FINDIV-22014(18)/10/2024/O/o GM (Finance-II)

Dated: 1<sup>st</sup> June 2026

**Subject: Acceptance and Replacement of Insurance Surety Bonds (ISBs) in lieu of Bank Guarantees/e-Bank Guarantees in all NHA Contracts.**

National Highways Authority of India (NHA) undertakes execution and management of National Highway projects through various modes viz., Engineering, Procurement and Construction (EPC), Hybrid Annuity Model (HAM), Build Operate Transfer (BOT-Toll), Item-rate (FIDIC-based) contracts, Operation & Maintenance (O&M) contracts, Project Based Maintenance Contracts (PBMC), as well as Consultancy Services etc.

2. Consequent upon amendments to Rules 170(i) and 171(i) of the General Financial Rules (GFR), 2017, the Ministry of Road Transport & Highways (MoRTH) vide letter no. NH-24028/14/2014-H(Vol-II) /E-134863 dated 31.05.2023 has approved the acceptance of Insurance Surety Bonds (ISBs) as an alternative to Bank Guarantees to all existing and future government contracts. Accordingly, NHA has issued Policy Circular No. 18.88/2023 dated 13.06.2023, adopting the aforesaid MoRTH circular and to streamline further NHA has issued Consolidated Circular on applicability of Insurance Surety Bonds (ISBs) in NHA Contracts vide Policy Circular no.3.1.42/2026 dated 03.03.2026.

3. Numerous queries are still being received from field units and other stakeholders seeking clarification regarding replacement of existing Bank Guarantees/e-Bank Guarantees with Insurance Surety Bonds in ongoing contracts or not .It is further reiterated that ISBs is acceptable in all NHA contracts in terms of GFR 2017 ,NHA circulars, MoRTH guidelines. Accordingly, the summary of Applicability of ISBs in NHA Contracts is attached as Annexure "A" for reference purposes. A list of frequently ask question has been prepared by Finance Division/ HQ of NHA related to acceptance and replacement of Insurance Surety Bonds (ISB) and is attached as Annexure "B".

4. Replacement of BG/e-BG by ISBs in Old and Running Contracts.

It is further reiterated that replacement of BG/e-BG with ISBs in old and ongoing contracts has already been approved vide MoRTH letter no. NH-24028/14/2014-H(Vol-II) /E-134863 dated 31.05.2023, and NHA has been accepting such replacements since the issuance of the said order. NHA has already permitted such replacements in all types of contracts, is annexed hereto as Annexure 'A'. Therefore, any type of BG/e-BG may be replaced in accordance with the extant policy circulars issued by NHA from time to time following the due process.

In view of the above, all ROs/PIUs/CMUs are requested to take necessary steps to actively promote and facilitate the adoption of Insurance Surety Bonds (ISBs) among all stakeholders. It may be noted that ISBs adoption would also facilitate reduction in the financial burden associated with conventional bank guarantees and support enhanced liquidity for contractors while ensuring adequate security for the Authority.

All contractors must be encouraged to avail this policy initiative of adoption of ISBs submission in all NHAI contracts and no one shall be forced to go for BG mode only.

This issues with the approval of Competent Authority.



(Ashish Kumar Singh)  
Chief General Manager (F&A)

Encl:-As stated above

Copy for necessary action:-

- (1) All ROs/PDs of NHAI
- (2) All CGMs/GMs of NHAI
- (3) All FARO Heads of NHAI
- (4) Web Admin:- for wide circulation among officials of NHAI

Copy for Information to:-

- (1) PPS to Chairman NHAI
- (2) Sr.PPS/PS to all Member/CVO
- (3) President, NHBF
- (4) Secretary General, HOAI

## ANNEXURE "A"

S.NO.	Type of contract	BID security	Performance Security	Mobilization advance	NHAI's Circular no. /Date
1	EPC	Yes	Yes	Yes	18.88/13.06.2023 & 3.1.14/02.01.2025
2	HAM	Yes	Yes	Mutatis mutandis of EPC	18.88/13.06.2023
3	BOT	Yes	Yes	Mutatis mutandis of EPC	18.88/13.06.2023
4	AE/IE	Yes	Yes	NA*	18.105/09.07.2025
5	Item Rate Contracts (FIDIC)	Yes	Yes	Yes	11.78/01.12.2025
6	NRCW/O&M/STMC Black spot works etc.	Yes	Yes	NA*	11.84/13.02.2026
7	PBMC	Mutatis mutandis of EPC			
8	GEM				
9	Any other Contract.				

Note: NA - Not Applicable

10/26

## **Frequently Asked Questions (FAQs) on Acceptance and Replacement of Insurance Surety Bonds (ISBs) in lieu of Bank Guarantees**

**Q1. Which guidelines/circulars of NHAI permit acceptance of Insurance Surety Bonds (ISBs) instead of Bank Guarantees (BGs)?**

Ans: The acceptance of ISBs is derived from the General Financial Rules (GFR) 2017 under Rule 170(i) and Rule 171(i) which were amended by the Ministry of Finance to recognize Insurance Surety Bonds as valid instruments for Bid Security and Performance Security. Subsequently, MoRTH has approved ISBs as an alternative to BGs vide letter no. NH-24028/14/2014-H(Vol-II) /E-134863 dated 31.05.2023, which NHAI has formally adopted through Policy Circular No. 18.88/2023 dated 13.06.2023.

**Q2. Insurance Surety Bonds are acceptable in which type of contracts of NHAI ?**

Ans: Initially, ISB was introduced for EPC, HAM, and BOT (Toll) contracts under Circular 18.88/2023, thereafter the applicability of ISBs has been extended to all NHAI contracts of: -

- Road Development Contracts (EPC, HAM, BOT)
- Toll Contracts and Ropeway Projects
- Operation & Maintenance (O&M), NRCW, STMC, Blackspot rectification, Item rate contract, GeM, and Project Based Maintenance Contracts (PBMC)
- Consultancy Services, including Authority Engineer (AE) and Independent Engineer (IE).
- Any other contract etc.

**Q3. Insurance Surety bond can be submitted for what specific purposes in NHAI?**

Ans: As per RFP and Model Concession Agreements, ISBs can be submitted in all NHAI Contracts for:-

- Bid Security (Earnest Money Deposit)
- Performance Security/Additional Performance Security
- Mobilization Advance/Retention Money

**Q4. Which type of ISBs (Physical or Electronic) are acceptable?**

Currently, Physical ISBs issued by various insurer is acceptable but in future e-ISBs can acceptable mode after fulfilment of necessary approvals and due procedure.

**Q5. Can an existing physical Bank Guarantee (BG) or e-Bank Guarantee (e-BG) in an ongoing contract be replaced with an Insurance Surety Bonds?**

Ans: Yes

For all existing and ongoing contracts of NHAI where a Bank Guarantee has been submitted, the contractor/concessionaire are allowed to replace the existing instrument with an Insurance Surety Bond, subject to compliance of NHAI Circulars & prescribed formats.

**Q6. Who is authorized to issue a valid Insurance Surety Bond for NHAI projects?**

Ans: The Insurance Surety Bond must be issued by an Insurance Company, that is, duly authorized and regulated by the Insurance Regulatory and Development Authority of India (IRDAI). At present approx. 15 Insurance Companies have issued more than 1000 ISBs in favour of NHAI.

**Q7. What is the procedure for verifying ISBs and e-Bank Guarantees?**

Ans: (i) **Verification of ISBs**

All Insurance Surety Bonds are to be verified by the NHAI (HQ) Finance Wing. For ISBs, this verification is conducted through direct communication with Insurance Companies.

(ii) **Verification of e-BGs**

e-BGs are getting verified through NeSL portal made available to NHAI HQ. Field units must coordinate with the HQ Finance Wing for the validation of these instruments.

**Q8. What if a bidder or contractor is unable to furnish an e-BG or an ISBs? Are physical Bank Guarantees still acceptable?**

Ans: Yes

NHAI Circulars promote the use of e-Bank Guarantees and Insurance Surety Bonds, if it is not possible for a contractor to furnish e-BG or ISBs, traditional physical Bank Guarantees can still be acceptable/submitted following the due procedure.

**Q9. Can the standard format of the Insurance Surety Bond be altered by the contractor or the issuing insurance company?**

Ans: No

NHAI has issued specific standardized formats for various Insurance Surety Bonds for its various contracts. Only these standard formats are to be used. Any proposed change or deviation in the prescribed format of the ISB must be duly vetted and approved by the NHAI Finance Wing (HQ) before acceptance on case-to-case basis.

**Q10. What are the common Do's and Don'ts while dealing ISBs?**

**Do's**

(i) ISB shall be on prescribed format of NHAI.

(ii) It must be executed on stamp paper of prescribed fee of concerned state as per Stamp Duty Act(Centre or State)

(iii) It shall contain the validity period of ISB in to and from (dates only) rather than in number of years or months.

**Illustration:**

- Validity Period: From 01.06.2026 to 30.06.2029 is acceptable form.
- "Valid for 3 years" or "Valid for 36 months." is not acceptable form.

Don'ts

(ii) No original ISB shall be changed to reflect the amendment/revision/modification rather than New Amendment in ISB shall be created separately.

9/16/26