

Covernow Surety — Product Spec v0.1

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Purpose and scope

Covernow Surety lets MSME contractors buy bid bonds at the point of tender, priced in minutes, and converts winners into performance bonds. Covernow acts as the IRDAI-registered broker: it scores the risk, packages it, and routes it to the insurer whose appetite fits. The insurer underwrites and issues.

The scale thesis rests on three mechanics, all in the prototype:

- **Bid bonds as the wedge.** Small tickets, short tenure, high frequency, low loss. Every bid builds the contractor file that later prices the performance bond.
- **Pre-approved insurer grids.** Each carrier sets rules (band, bond type, ticket ceiling) inside which its own rules engine approves without manual review. The desk only handles exceptions.
- **Distribution on existing rails.** MSME-lending NBFCs refer borrowers and share data with consent, mirroring the credit-life model.

In scope for v1: bid, performance, advance-payment and retention bonds for Indian public and corporate procurement. Out of scope: customs, court and judicial bonds, and any bond where Covernow would bear risk.

The clickable prototype uses sample data throughout. Every requirement below names the screen that demonstrates it.

Users and their jobs

Five users touch every bond; the platform has one portal per user, sharing one record.

User	Job to be done	Primary screen	What they must never have to do
Contractor (MSME)	Get a bond accepted in lieu of EMD before the tender closes	Contractor portal	Re-submit financials for every bond
NBFC / anchor partner	Refer borrowers, track their pipeline, earn a referral share	Partner workspace	Chase Covernow for status

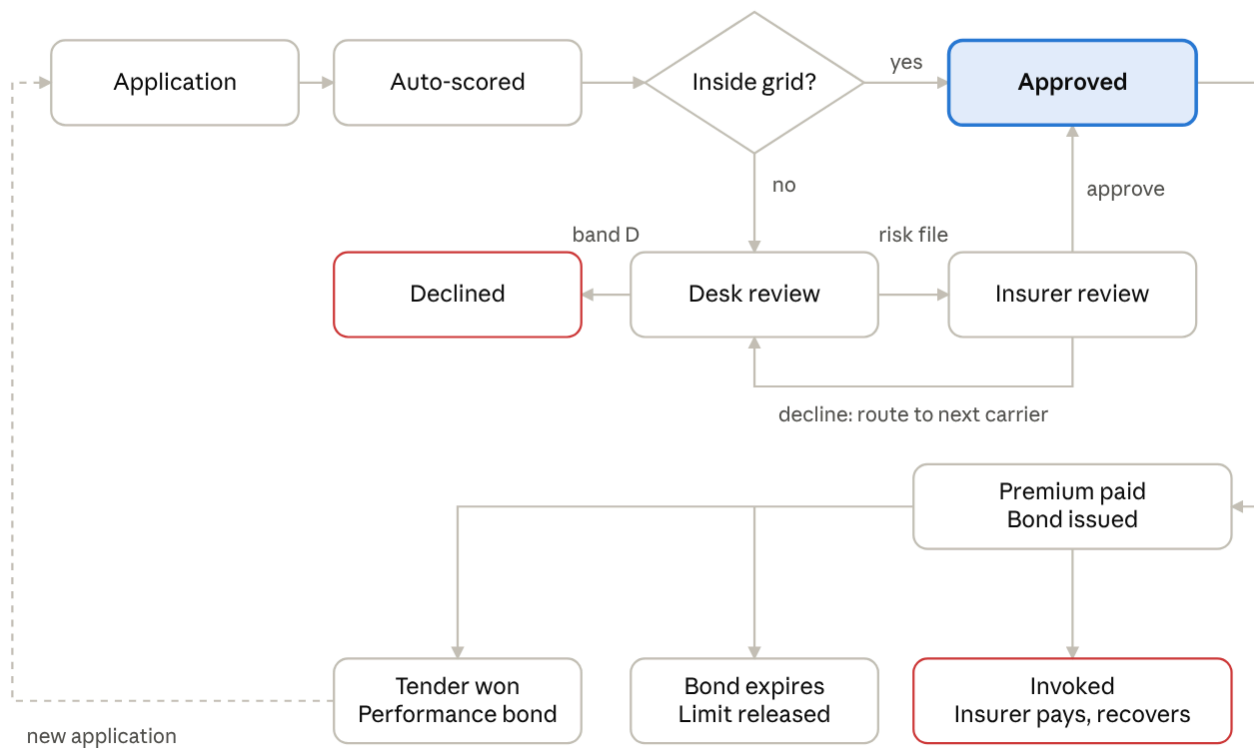
User	Job to be done	Primary screen	What they must never have to do
Covernow underwriting desk	Score, package and route risk; handle exceptions	Ops console	Rekey data the contractor already shared
Insurer underwriter	Approve or decline referrals; watch the book and invocations	Insurer console	Underwrite inside its own pre-approved grid by hand
Beneficiary (tender officer)	Confirm a bond is genuine and in force; lodge an invocation	Public verification page	Phone the insurer to verify

A sixth internal user, finance, reconciles premium, brokerage and partner payouts. It has no screen in the prototype; see the payments module.

Bond lifecycle

An application either fits an insurer's pre-approved grid and is approved in seconds, or goes through the Covernow desk and the insurer. Every issued bond ends in expiry or invocation; a won tender loops back as a performance bond application.

Bids inside an insurer grid skip both underwriting desks



bond lifecycle · grid path and desk path

Status	Set by	Visible to
Scored, awaiting review	Engine	Contractor, partner, desk
Documents requested	Desk	Contractor, partner, desk
With insurer	Desk	All except beneficiary
Approved, pay to issue	Insurer rules or underwriter	Contractor, partner, desk, insurer
Declined	Desk or insurer, with reason code	Contractor, partner, desk
Issued	Insurer on payment	All, including beneficiary via verification
Expired	System on validity end	All
Invoked	Beneficiary	All

Functional modules and requirements

Nine modules, 34 requirements. Priority: P0 = needed for the first live bond, P1 = needed before scale, P2 = later.

ID	Module	Requirement	Priority	Prototype screen
M1.1	Onboarding & KYC	Contractor signs up via partner consent link or directly; GSTIN, PAN, CIN/LLPIN verified	P0	Partner → Refer
M1.2	Onboarding & KYC	Consent capture for GST, bank (Account Aggregator) and bureau pulls, stored with timestamp and purpose	P0	Quote form consent box
M1.3	Onboarding & KYC	Digitally signed counter-indemnity (and personal guarantee where the insurer asks) via e-sign	P0	Quote form consent box
M1.4	Onboarding & KYC	Monthly profile refresh from GST and bank data; limit recalculated	P1	Facility meter note
M2.1	Tender discovery	Ingest open tenders from GeM, CPPP, NHAI, state e-procurement and IREPS; tag EMD, value, closing date	P1	Open tenders list
M2.2	Tender discovery	Match tenders to a contractor by category, geography and available limit	P2	Open tenders list
M2.3	Tender discovery	Flag whether the beneficiary has accepted Covernow's bond format	P0	Format pill on tender card
M3.1	Application & quote	Pre-fill bond amount (EMD) and tenure (bid validity + claim period) from the tender	P0	Quote form
M3.2	Application & quote	Indicative quote in under 60 seconds: premium, GST, rate, collateral, routing outcome	P0	Indicative quote card

ID	Module	Requirement	Priority	Prototype screen
M3.3	Application & quote	Instant approval when the risk fits a carrier's pre-approved grid	P0	"Instant approval" pill
M3.4	Application & quote	"I won this tender" converts a bid bond into a pre-filled performance bond application	P1	Your bonds → I won
M4.1	Underwriting desk	Auto-score every application and build a risk file (score breakdown, sources, suggested terms)	P0	Ops → risk file
M4.2	Underwriting desk	Actions: send to carrier, request documents, decline; each with reason codes	P0	Ops → risk file
M4.3	Underwriting desk	Facility view per contractor: aggregate limit, utilisation across all insurers	P1	Contractor facility meter
M4.4	Underwriting desk	Manual override of score or terms, with maker-checker approval and audit log	P1	—
M5.1	Carrier management	Appetite on file per carrier: bands, ticket range, bond types, geography exclusions	P0	Insurer → Appetite
M5.2	Carrier management	Pre-approved grid per carrier, versioned and signed off by the insurer	P0	Insurer → Appetite
M5.3	Carrier management	Routing: pick the carrier by appetite, then rate; fall back to the next carrier on decline	P0	Routed to
M5.4	Carrier management	Per-carrier capacity tracking: exposure by band and by contractor against treaty limits	P1	Insurer → Book
M6.1	Insurer console	Referral inbox with packaged risk file; approve on proposed terms, counter, or decline	P0	Insurer → Referrals

ID	Module	Requirement	Priority	Prototype screen
M6.2	Insurer console	Policy and bond issuance on the insurer's stationery with its digital signature	P0	Bond certificate
M6.3	Insurer console	API mode: the same decisions via the insurer's own system, console as fallback	P1	—
M7.1	Issuance & payments	Premium + GST collected by payment gateway into the insurer's account, never Covernow's	P0	Pay & issue
M7.2	Issuance & payments	Collateral as FD lien, tracked to release on bond expiry	P1	Quote → collateral
M7.3	Issuance & payments	Bond delivered to the beneficiary by email and portal upload; unique bond number	P0	Toast on issue
M7.4	Issuance & payments	Brokerage accrual per bond; partner referral share computed and paid monthly	P0	Partner → referral share
M7.5	Issuance & payments	Three-way reconciliation: premium received, bond issued, brokerage received	P1	—
M8.1	Verification & claims	Public page verifies a bond by number against the insurer record	P0	Verify a bond
M8.2	Verification & claims	QR code on every bond linking to the verification result	P1	—
M8.3	Verification & claims	Beneficiary lodges an invocation with the demand letter; insurer notified at once	P0	Lodge an invocation
M8.4	Verification & claims	Invocation tracker: payout, recovery from contractor under counter-indemnity	P1	Insurer → Invocations
M8.5	Verification & claims	Expiry and return-of-bond workflow; limit released	P1	—

ID	Module	Requirement	Priority	Prototype screen
M9.1	Partner workspace	Referral form, consent link by SMS, pipeline per contractor, earnings	P0	Partner workspace
M9.2	Partner workspace	Partner API for bulk referral and data sharing	P2	—

Underwriting and pricing engine

Every application gets a 100-point score, a band, a suggested rate and collateral, and a carrier. The weights below are v0 assumptions to be calibrated with each insurer's underwriters before go-live.

Factor	Source	Max points	Scoring (v0)
Capacity: bond amount vs turnover	GST returns	25	$\leq 2\% \rightarrow 25 \cdot \leq 5\% \rightarrow 20 \cdot \leq 10\% \rightarrow 12 \cdot \text{above} \rightarrow 4$
Bureau	CIBIL MSME Rank (CMR)	25	$\text{CMR } 1-3 \rightarrow 25 \cdot 4-5 \rightarrow 18 \cdot 6-7 \rightarrow 10 \cdot 8+ \rightarrow 0$
Completion record	Tender history, beneficiary references	15	$\geq 95\% \text{ closed} \rightarrow 15 \cdot \geq 85\% \rightarrow 10 \cdot \text{below} \rightarrow 5$
GST filing regularity	GSTN, last 12 months	15	$100\% \rightarrow 15 \cdot \geq 90\% \rightarrow 12 \cdot \geq 75\% \rightarrow 6 \cdot \text{below} \rightarrow 0$
Years in business	MCA / GST registration	10	$\geq 10 \rightarrow 10 \cdot \geq 5 \rightarrow 7 \cdot \geq 3 \rightarrow 4 \cdot \text{below} \rightarrow 1$
Existing surety exposure	Bureau + self-declared BGs and bonds	10	$\text{utilisation } < 50\% \rightarrow 10 \cdot < 80\% \rightarrow 6 \cdot \text{above} \rightarrow 2$

Bands and terms

Band	Score	Bid rate p.a.	Performance rate p.a.	Collateral	Aggregate limit
A	≥75	0.60%	1.00%	Nil	25% of turnover
B	60–74	0.90%	1.50%	10% FD lien	15% of turnover
C	45–59	1.40%	2.20%	25% FD lien	8% of turnover
D	<45	Not placed	Not placed	—	—

Advance-payment and retention bonds carry their own rate rows. Premium = amount × rate × months ÷ 12, minimum ₹2,500, plus 18% GST. Rates are the insurer's filed rates; the engine only proposes within them.

Routing and pre-approved grids

1. Filter carriers whose appetite covers the band, bond type and ticket size.
2. Pick the lowest filed rate; break ties on turnaround time.
3. If the risk sits inside that carrier's pre-approved grid, the insurer's rules approve it instantly. Example grid: band A bid bonds up to ₹50 L.
4. Otherwise the desk reviews and sends the packaged risk file. On decline, route to the next carrier.

The grid is the scale lever. Every bond approved inside a grid costs no underwriter time on either side. Target: 70% of bid bonds inside a grid by month 12.

Data model

Twelve core entities in PostgreSQL; the bond application is the spine every portal reads.

Entity	Key fields	Relationships
Contractor	GSTIN, PAN, legal name, constitution, city, turnover, CMR, years in business	Has many consents, applications, facilities; referred by one partner
Consent	Type (GST / AA / bureau / e-sign), purpose, granted at, expires at, artefact ID	Belongs to contractor
Financial snapshot	Period, turnover, GST filing %, bank inflows, outstanding BGs and bonds	Belongs to contractor; versioned monthly

Entity	Key fields	Relationships
Partner	Name, type (NBFC / anchor buyer), referral share %, payout account	Has many contractors, referrals
Tender	Source portal, tender ID, beneficiary, title, EMD, contract value, close date, bid validity	Belongs to beneficiary
Beneficiary	Department, portal, bond format status (accepted / pending), contact	Has many tenders, bonds
Application	Type, amount, tenure, status, score, band, proposed terms, routed carrier, decision log	Contractor × tender; has one risk file
Risk file	Factor scores, data-source snapshot IDs, desk notes, version	Belongs to application; immutable once sent
Carrier	Name, appetite (bands, ticket range, types), filed rates, grid (versioned)	Has many decisions, bonds
Bond	Bond number, insurer policy number, amount, valid from/to, beneficiary, status, document hash	Issued from one application
Payment	Premium, GST, collateral lien, gateway reference, received by insurer at	Belongs to bond
Invocation	Bond, demand letter, amount claimed, lodged at, insurer status, recovery status	Belongs to bond

Brokerage and partner payouts sit in the existing commission engine as new product lines, not a separate ledger. Every status change writes an event, which feeds the audit trail and partner notifications.

Integrations

Ten integrations; five are needed for the first live bond.

Integration	Purpose	Route	Priority
GSTN data	Turnover, filing regularity	GSP or licensed aggregator, with contractor OTP consent	P0
Credit bureau	CIBIL MSME Rank, existing facilities	Bureau API under Covernow's membership, or via partner NBFC	P0
e-Sign	Counter-indemnity, proposal form	Aadhaar e-sign or DSC through an ESP	P0
Payment gateway	Premium + GST to the insurer's collection account	Insurer's own gateway or split-settlement	P0
Account Aggregator	Bank statement analysis	AA via an FIU licence holder (partner NBFC or TSP)	P1
MCA / KYC	Company and director checks	MCA data, CKYC	P1
Insurer systems	Referral decisions, policy issuance, bond number	REST API per insurer; console as fallback	P1
Tender portals	Open tenders, EMD, closing dates	Public feeds and scraping where terms allow; manual upload otherwise	P1
Partner NBFC systems	Bulk referrals, shared bureau and bank data	Existing four-tier ingestion: API, SFTP, Excel, portal entry	P1
Messaging	SMS consent links, WhatsApp and email status updates	DLT-registered SMS, WhatsApp Business	P0

Open question: whether the bureau pull runs under Covernow's own membership or through the partner NBFC, which changes cost and consent wording.

Regulatory and compliance requirements

Covernow stays a distribution and risk-packaging layer; the insurer underwrites, issues and holds the risk.

- **No binding by the broker.** The pre-approved grid is the insurer's own underwriting rules, signed off and versioned by the insurer. Covernow's engine proposes; the insurer's rules approve.

- **Premium flows to the insurer.** Premium and GST are collected into the insurer's account. Covernow never holds premium.
- **Remuneration.** Brokerage per the insurer's agreement and IRDAI's expenses-of-management framework. Partner referral share is paid from Covernow's brokerage, with the partner's role documented so it is not an unlicensed intermediary payment.
- **Surety guidelines.** Product, bond wording and insurer-side limits follow IRDAI's surety insurance guidelines. IRDAI recently cut the solvency requirement for surety business from 1.875 to 1.5 times the control level, which frees insurer capacity.
- **Data and consent.** Every pull rests on a purpose-specific consent record (DPDP Act). Data stays in India.
- **Bond format.** Bond wording per insurer, pre-cleared with each beneficiary department. Unconditional, on-demand wording where procurement rules require it.
- **Grievance and records.** Grievance redress per broker regulations; full audit trail of score, terms, routing and decisions for each bond.

Open questions for compliance (Abhijit):

- ☐ Confirm the partner referral share structure fits the current remuneration rules
- ☐ Confirm per-contractor and per-insurer exposure caps in the current surety guidelines, and whether they changed with the solvency revision
- ☐ Confirm whether the bureau pull can run under Covernow's membership as a broker
- ☐ Confirm that pre-approved grids need no separate IRDAI filing beyond the insurer's product filing

Architecture and non-functional requirements

Surety runs as new services on the existing Covernow stack; nothing new is introduced at the platform level.

Component	Built on	Responsibility
Partner and insurer API gateway	Node.js / TypeScript	Referral intake, insurer decision callbacks, verification endpoint
Surety policy-admin service	Kotlin / Spring Boot	Applications, bonds, status machine, invocations
Scoring and routing engine	Kotlin / Spring Boot	Factor scores, bands, terms, carrier routing, grid evaluation; rules held as versioned config

Component	Built on	Responsibility
Data-pull workers	Kotlin consumers on Kafka or SQS	GST, bureau, AA, MCA pulls; snapshots written to the financial-snapshot table
Commission engine	Existing, in-house	Brokerage accrual and partner payout for surety lines
Portals	React / TypeScript	Contractor, partner, ops, insurer consoles; public verification page
System of record	PostgreSQL	All entities above; document hashes; event log
Document store	S3 or Azure Blob, India region	Bonds, counter-indemnities, demand letters

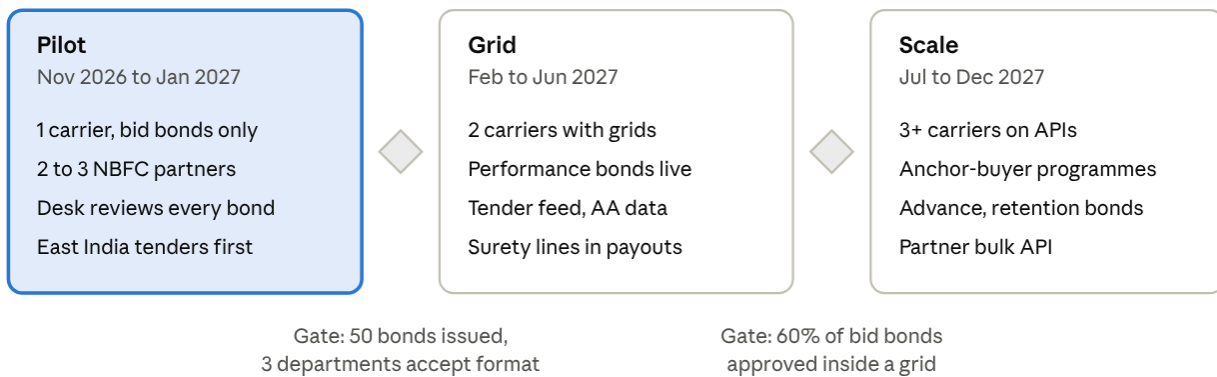
Non-functional requirements:

- **Speed.** Indicative quote in under 60 seconds once data is on file. Grid approvals issue the same day the premium lands.
- **Availability.** 99.5% for contractor and verification pages during business hours; tender deadlines are hard.
- **Integrity.** Each issued bond stores a document hash; verification compares against it. Risk files are immutable once sent.
- **Security.** Role-based access per portal; maker-checker on overrides and payouts; encryption at rest and in transit.
- **Residency.** AWS Mumbai or Azure Central India.
- **Auditability.** Every score, rule version and decision is reproducible after the fact.

Roadmap and open questions

Three phases over about 14 months, each gated on proof rather than date. Dates are proposals to align with the Series A plan.

Each phase opens only when the gate before it is met



roadmap · 3 phases, 2 gates

Open questions:

- ☐ Which insurer signs first, and will it give a pre-approved grid in the pilot or only after 50 bonds?
- ☐ Brokerage rate on surety, and the partner referral share it can carry (prototype assumes 15% and 40%)
- ☐ Whether surety sits in the Series A story as MSME embedded distribution or stays off the deck until the gate-1 numbers exist
- ☐ A surety-experienced underwriter on the desk before the pilot, or borrowed from the first insurer
- ☐ Which three beneficiary departments to clear the bond format with first
- ☐ Build in-house on the current stack, or start with a white-labelled policy-admin layer for speed

Sources

- [IRDAI sets new guidelines to strengthen surety insurance market](#) (Reinsurance Asia) — solvency requirement cut to 1.5 times control level
- [IFFCO-Tokio enters surety bonds business](#) (Business Standard) — insurer entry, small-contractor focus