

## 28.001 Definitions.

As used in this part-

*Attorney-in-fact* means an agent, independent agent, underwriter, or any other company or individual holding a *power of attorney* granted by a *surety* (see also "*power of attorney*" at [2.101](#)).

*Bid* means any response to a *solicitation*, including a proposal under a negotiated *acquisition*. See the definition of "*offer*" at [2.101](#).

*Bid guarantee* means a form of security assuring that the *bidder*-

- (1) Will not withdraw a *bid* within the period specified for acceptance; and
- (2) Will execute a written contract and furnish required *bonds*, including any necessary coinsurance or *reinsurance* agreements, within the time specified in the *bid*, unless a longer time allowed, after receipt of the specified forms.

*Bidder* means any entity that is responding or has responded to a *solicitation*, including an *offeror* under a negotiated *acquisition*.

*Bond* means a written instrument executed by a *bidder* or contractor (the "principal"), and a second party (the "*surety*" or "*sureties*") (except as provided in [28.204](#)), to assure fulfillment of the principal's obligations to a third party (the "obligee" or "Government"), identified in the *bond*. If the principal's obligations are not met, the *bond* assures payment, to the extent stipulated, of any loss sustained by the obligee. The types of *bonds* and related documents are as follows:

- (1) An advance payment *bond* secures fulfillment of the contractor's obligations under an advance payment provision.
- (2) An annual *bid bond* is a single *bond* furnished by a *bidder*, in lieu of separate *bonds*, which secure all *bids* (on other than *construction* contracts) requiring *bonds* submitted during a specific Government fiscal year.
- (3) An annual performance *bond* is a single *bond* furnished by a contractor, in lieu of separate performance *bonds*, to secure fulfillment of the contractor's obligations under contracts (other than *construction* contracts) requiring *bonds* entered into during a specific Government fiscal year.
- (4) A patent infringement *bond* secures fulfillment of the contractor's obligations under a patent provision.
- (5) A payment *bond* assures payments as required by law to all persons supplying labor or material in the prosecution of the work provided for in the contract.
- (6) A performance *bond* secures performance and fulfillment of the contractor's obligations under the contract.

*Consent of surety* means an acknowledgment by a *surety* that its *bond* given in connection with a contract continues to apply to the contract as modified.

*Penal sum* or "penal amount" means the amount of money specified in a *bond* (or a percentage of the

*bid* price in a *bid bond*) as the maximum payment for which the *surety* is obligated or the amount of security required to be pledged to the Government in lieu of a corporate or individual *surety* for the *bond*.

*Reinsurance* means a transaction which provides that a *surety*, for a consideration, agrees to indemnify another *surety* against loss which the latter *may* sustain under a *bond* which it has issued.

**Parent topic:** [Part 28 - Bonds and Insurance](#)