Oil and Gas Case Study

Enterprise Risk Strategies
Insuring your business. Ensuring your future.

Client Concern/Issue:

A U.S. manufacturer builds trucks specially fitted with oil rigs that are sold to oil and gas companies to drill for oil. Not only does the insured enter into a number of contracts with international customers, their business is subject to the oil and gas cyclical economy. The loss of one or more of their international contracts would be detrimental to the financial strength of the manufacturer.

ERS Solution:

ERS worked with the manufacturer to create a captive to insure their Contractual exposure, Loss of a Key Customer, Mechanical Breakdown and Governmental Action coverage. Given the manufacturer's focus on minimizing expenses and capital, the customer utilizes ERS' Utah cell facility instead of forming a pure captive. This solution provides the same risk financing benefits but at a lower cost to the owners.

Results/Benefits:

The manufacturer has financed risk successfully each year for four years and has generated an underwriting profit. In the current year the insured is anticipating a significant decrease in operating income due to the downturn in the oil and gas market. The risk associated with their manufacturing operation has decreased along with the decrease in production. Consequently the insured has decided not to buy coverages through their captive and has placed the captive in dormancy. This is an effective strategy to keep the captive operating and available for use in the future without dissolving the captive.

Disclosures

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