



AXIS INSURANCE GROUP

# Oil and Gas Field Contractors Insurance Guide

The Axis Insurance Group specializes in structuring bespoke insurance solutions for the oil and gas contracting industry.

We have developed relationships, programs and facilities with leading insurers who understand the risks and business of heavy equipment contracting relative to oil and gas exploration in Canada. Axis has specific experience with contractors involved in seismic line cutting, road building and maintenance, lease pad construction, pipe laying, and facility site maintenance.

Heavy equipment contractors face many exposures to loss emanating from their operations and management liabilities. Many of these can be insured through a variety of policies. Axis has attempted to streamline coverage, reducing the number of different policies required, while filling coverage gaps and reducing overall premium levels. We work with your management team to identify these areas of risk, and to propose appropriate risk transfer solutions.

Our goal is to provide the best service, advice and products to the oil and gas contracting industry. We have a fully qualified team of insurance professionals with extensive experience in this field to assist you in creating the best Insurance protection at reasonable and fair premium savings.

The attached schedule is intended as a review document for discussion purposes only. It is not necessarily an exhaustive list of your exposures to loss or insurance coverage that is available.

Axis Insurance Group

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*This list is merely a sample of typical policies available and which insure the vast majority of exposures facing the oil and gas industry. Other risks and exposures may require alternate coverage solutions.*



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## A guide to insurance and risk management

The following chart is a summary of the insurance products that are available to address the many risks faced by oil and gas contractors. If all exposures are insured, premiums can become unaffordable. In order to contain the premium costs, insurance purchases will likely be selective. Some premiums can be reduced by selecting limited forms of coverage, or by assuming higher deductibles. With respect to liability insurance, the limit will have a significant impact on the amount of premium.

Corporations are often required to purchase specific types of insurance to satisfy contractual requirements, such as lease obligations to landlords or of course the very onerous agreements now being demanded by the oil and gas majors. If possible, risks should be transferred contractually to third parties such as subcontractors or joint venture partners. However, this does not always negate the need for coverage. When transferring risks to insurers, the focus should be on unmanageable risks that can have a significant impact on your corporate treasury and the long-term viability of your company.

## Typical Insurance Coverage Options

Policies that protect physical assets	Liability insurance - policies that protect against liability arising from your negligent acts
Mobile Coverage for heavy equipment and other assets used in the field	General Liability
Property Insurance for buildings and contents	Environmental Liability
Boiler & Machinery	Automobile Liability
Office Contents Package	Motor Truck Cargo Legal Liability
Automobile Insurance	Towing Liability
Loss of Income & Extra Expense	Non-owned Aircraft Liability
Crime Insurance	Employment Practices Liability
	Employers' Liability
Other coverage options	
Accident Insurance	
Control of Well/Operators Extra Expense	
Directors & Officers Liability (D&O)	

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## Physical Assets

Exposure	Insurance Coverage	Key Considerations
<b>Heavy equipment</b>	Contractor's Equipment	<p>Is ice and muskeg included or required to be added separately?</p> <p>A schedule should be prepared with values agreed on actual cash value or replacement cost basis, or a combination of both</p> <p>How is depreciation dealt with on loss settlements?</p> <p>How does the policy deal with costs associated with the transportation and commissioning of speciality, or remote location, items?</p> <p>There should be a provision, with adequate limits, to automatically insure newly acquired, rented, or otherwise assumed for care, items for a period of time</p> <p>Licensed equipment may need to be insured under an automobile policy</p> <p>Consideration should be given to the maximum accumulation of values at any given location to ensure limits are adequate or whether coverage is warranted</p>
<b>Miscellaneous property:</b> camps, camp equipment, field equipment, mechanic's tools, ATVs and snowmobiles	Property Insurance	<p>In addition to the same key considerations above:</p> <ul style="list-style-type: none"> <li>• Policies may contain geographical limitations</li> <li>• Fuel values in mobile and field storage tanks should be insured</li> </ul>



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## Physical Assets Continued

Exposure	Insurance Coverage	Key Considerations
<b>Office contents:</b> furniture, fixtures, fittings, tenant improvements, computer equipment and telephone systems	Property Insurance or Office Contents Package	<p>Insurance may be required by the lease agreement, due to the landlord's interest in tenant improvements</p> <p>Assets should be valued and insured on a replacement cost basis</p> <p>Laptop computers may be excluded when off premises, or coverage may not apply outside of North America</p> <p>Coverage should include earthquake and flood</p> <p>Coverage should be extended to include property in transit</p> <p>Various extensions of coverage can be included</p> <p>Coverage should be included for extra expenses incurred to continue your business operations in the event of a fire or other insured loss, or damage at the premises</p> <p>Coverage territories should be reviewed to ensure adequacy in the event of international business travel</p>
<b>Towing legal liability</b>	May be attached by endorsement to various policies	<p>How does coverage respond where no contract or other documentation exists?</p> <p>Field employees should have a good understanding of the potential risk the company faces due to towing trucks etc. with heavy equipment</p>
<b>Management liability</b>	Directors and Officers Liability Insurance (D&O)	<p>Standard D&amp;O with entity coverage for securities claims</p> <p>Excess Side "A" DIC to add protection for the benefit of the directors and officers</p>
<b>Workplace liabilities</b>	Employment Practices Liability	Discrimination, harassment, wrongful dismissal, and other workplace violations are giving rise to increasing litigation in Canada against corporations and their employees
<b>Camp liability</b>	Commercial General Liability Insurance	<p>Important to ensure that insurers are aware of any camp operations where services are provided to third parties</p> <p>What is exposure regarding sewage and other waste removal?</p>



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## Risk Management Checklist

### Employees

- Are all employees covered under workers compensation?
- Have you purchased accident insurance for senior employees?
- Have you developed a safety training program or follow specifically one that is imposed by regulation or oil and gas major?

### Work relative to exploration/road building projects

- Have all underground pipelines and wellheads in the area been mapped and identified?
- Is it clear who assumes responsibility for determining locations of underground pipelines and wellheads?

### Forest fire

- Is there any potential for a forest fire at any of your projects?
- Have you implemented any controls with respect to burning debris? Have you established a no smoking policy?
- Do your subcontractors have forest fire fighting expense coverage? This needs to be specifically added to the policy. Are their limits adequate?

### Subcontractors

- Do you have contracts with all subcontractors?
- Do you require subcontractors to purchase adequate insurance coverage and adequate limits of liability?
- Do you ask to be added to their policy as an additional insured?
- Do you ask for proof of insurance?
- Do you have an exposure arising from your sub-contractors operations with respect to storage of fuels and other pollutants?
- Does the subcontractor have pollution coverage and have you been named on the policy?
- Does the subcontractor's policy provide coverage for forest fire fighting expense?

### Pollution

- Do you keep or store any pollutants at your project sites?
- Do you have any above ground or underground storage tanks?
- Have you developed a clear plan for responding to and reporting spills?
- Are all employees aware of the plan?
- Are subcontractors required to carry pollution coverage?

### Oil and gas majors

*Contractual requirements relative to indemnity and hold-harmless clauses are becoming more and more onerous on contractors in the field.*

- Does your insurance provider have the ability to provide advice on how insurance policies do or do not address certain language in indemnity clauses?
- Do you obtain legal advice as to how to otherwise mitigate 'catch all' clauses imposing liability on your company?