

# I N S U R A N C E

## *A Necessity For Drilling Contractors*

**I**T is better to have insurance and not NEED it, than to NEED insurance and NOT have it. In this day it is possible to secure insurance to cover practically any need, but there are three important factors to be considered by the drilling contractor in connection with his insurance coverage.

First: It is necessary that his coverage be adequate to protect him against the hazards liable to cause him the greatest possible loss. This is the coverage that requires that careful attention be given it, even though the possibility of such loss may appear remote.

Second: It is necessary that his insurance be so written that it will be satisfactory to the company for whom he drills, both from the standpoint of being placed with a financially responsible insurance company, and from the standpoint of coverage in an amount sufficient to satisfy all of their requirements.

Third: The drilling contractor must endeavor to purchase this protection at the lowest possible cost commensurate with safety.

We will take up the three types of insurance requisite to give ample protection to the assured, as follows:

### GENERAL LIABILITY INSURANCE

There are several things which are frequently overlooked by the average purchaser of insurance, when he attempts to provide liability or casualty coverage to protect him from all the various insurable hazards of the drilling business. Many contractors are unaware of the fact that the usual Manufacturers and Contractors public liability coverages contain an exclusion insofar as assumption of liability by signing so-called "hold harmless agreements," which are a part of most drilling contracts. In other words the policy ex-

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By **WILLIAM BROADHURST**

Vice President, Helmerich & Payne, Inc.  
Tulsa, Oklahoma

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● *Insurance for drilling operations should be as carefully chosen as for any other type of business, the author states. Coverage should be determined by a study of various risks involved, as at little extra expense more favorable policies may be obtained.*

cludes any liability of others, assumed by the policyholder, either written or implied.

Here are several typical exclusions in liability policies:

"This policy does not cover the liability of others assumed by the Insured under any written contract, or agreement, other than a lease or railroad spur track agreement, for a period of more than thirty days from the date the Insured enters into such an agreement, unless the Company shall have accepted such coverage by specific endorsement attached to the policy."

"This policy does not apply to liability of others assumed by the Insured under any contract or agreement."

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— This coverage may be obtained by endorsement to the policy and the payment of additional premium.

There is also an exclusion relating to complete operations that may result in loss to the Insured in event some member of the public is injured around an abandoned location. These exclusion clauses usually read about as follows:

"This coverage endorsement does not apply to the use of, or the existence of any condition in prem-

ises alienated by the Insured over which the Insured has any right of control, or which were constructed by the Insured for sale, if the accident occurs after the Insured has relinquished possession to others; or operations, other than pick-up and delivery and the existence of tools, uninstalled equipment and abandoned or unused materials, if the accident occurs after such operations have been completed or abandoned at the place of occurrence thereof and away from the premises owned, rented or controlled by the Insured."

"The policy does not apply to the existence of any condition in work completed or abandoned by the named Insured, if such work is not on premises owned or leased by the named Insured, except in respect to tools, equipment or unused materials left at the place of such work."

It is quite important in connection with "third party" property damage coverage that fire and explosion damage is included. Many of the insurance companies have an exclusion in the property damage endorsement, for loss or damage caused by fire and explosion, unless an additional premium is paid and the exclusion deleted from the policy. Some endorsements exclude one or the other, and some exclude both. Property damage coverage for the oil industry is virtually worthless if these exclusions are permitted to remain in the policy.

It is also proper to mention here, in our discussion of casualty coverage, that by all means drilling contractor should avail himself of the so-called comprehensive policies now offered by the companies. The additional premium for this coverage is negligible and it will eliminate many arguments and plug loopholes in the general casualty coverage. The premium is determined by naming and charging for all of the