

# UTAH METAL WORKS, INC.: STABILITY IN A FLUCTUATING INDUSTRY

When costs in the volatile scrap metal industry began to soar above historic norms, Utah Metal Works realized its strategy of using a bad debt reserve to self-insure was becoming increasingly inefficient and still left the company vulnerable to catastrophic losses. Credit insurance provided the company with the protection it needed, along with myriad other benefits.

## THE CHALLENGE

For most of its history, Utah Metal Works – one of the oldest family owned, non-ferrous metal recycling companies in the West – chose self-insurance as its strategy to protect against loss. But in 2005, commodity prices tripled while average load costs increased from \$25,000 to \$40,000. This heightened volatility also significantly increased the risk of customer non-payment. The company's once adequate \$60,000 bad debt reserve ballooned to \$150,000 to keep up with the heightened risk of loss.

"Scrap metal pricing has many variables," said Chris Lewon, owneroperator of Utah Metal Works. "The fluctuations in pricing can lead to uncertainty, making it difficult to determine if a customer will default. Not only was our yearly process of building a bad debt reserve becoming risky, it was also becoming more expensive. We realized we needed a better strategy."

Years in Business: 62  
Years with Euler Hermes: 12

### Region:



United States

### Sector:



Metal Recycling

### Challenge:



Implement more efficient risk mitigation strategy

### Policy Benefits:



Comprehensive credit function support



Reduce bad debt reserve



Protection from catastrophic loss



Access to integrated collections services

## THE SOLUTION

The value of their Euler Hermes policy became immediately apparent – the cost of the premium was far less than the cost of its previous bad debt write-downs; additionally, the fact that the policy was a tax-deductible business expense provided added savings. The company also found value in leveraging Euler Hermes as an extension of its credit department and as a risk management partner.

“Shifting cost from a credit department to Euler Hermes offsets two-thirds of the policy premium,” said Lewon. “In essence, Euler Hermes became our credit department. This adds value that makes the premium easier to pay.”

During the nine years Utah Metal Works has been a policyholder, it has built a dynamic relationship with Euler Hermes. With a minimal in-house credit staff, Utah Metal Works relies heavily on the risk management support inherent to the policy. The partnership provides a level of in-depth customer analysis and ongoing account monitoring that is very difficult to achieve internally.

“Even after being in business for almost 60 years, we still make mistakes; there are things you cannot see with a basic credit department,” said Lewon. “Euler Hermes provides us with a vast amount of resources. It’s an insurance policy as well as a credit department. The company works with us to get the best coverage for our accounts and cover us if a loss does happen – that’s where the value comes from. It’s a much better strategy than what we had before and extremely warranted.”

In 2009, Utah Metal Works experienced a “moment of truth” with its Euler Hermes partnership when one of its largest customers went bankrupt, leaving Utah Metal Works facing a large loss. Thanks to its Euler Hermes policy, the loss was covered, and it received a prompt payment that kept its cash flow uninterrupted.

“The risk of default is normal in the course of business,” said Lewon. “People are not going to pay and things are going to happen. We did our due diligence and still took a hit, but we had the protection we needed. Euler Hermes handled the claim quickly and efficiently.”

Utah Metals Works also leveraged an important secondary benefit of its Euler Hermes policy – integrated collections solutions. When one of its uninsured buyers attempted to elude payment, Euler Hermes Collections worked closely with Utah Metal Works to customize a receivables outsourcing program that achieved results. “This was lost money that we didn’t think we were ever going to see,” said Lewon. “With the help of Euler Hermes, we were able to recover some of the profit.”

## THE OUTCOME

Utah Metal Works’ partnership with Euler Hermes has empowered the company to drive very strong business results. Since establishing its credit insurance policy, it has achieved astonishing growth and is positioned well to grow in the coming years. Credit insurance with Euler Hermes helps Utah Metal Works optimize its cash flow and provides rare and valuable peace of mind in the ever fluctuating commodities business.

“As the commodities market heated up, credit insurance mademore sense.” Said Lewon. “In this business, you better be nimble, and you better be ready. You have to be smart about your cash flow management. Why would I want to take risk? I like to sleep at night.”



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– Chris Lewon, owneroperator of  
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### For more information you can:

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