

Kidnap, Ransom and Extortion Policy

By David Saul, AAI



As your company expands globally, so do your exposures. Kidnapping, extortion and detention are real dangers for companies operating both overseas and in domestic markets. Management often overlooks them on the grounds that “it won’t ever happen to us.” Companies with overseas operations and executives or staff who travel internationally may be targets for kidnapers and extortionists.

While no one can predict where or when a kidnapper or extortionist might strike, there are steps that you can take to protect your executives and families and

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prepare for a possible threat. Purchasing a kidnap, ransom and extortion policy should be an integral part of your risk management program.

The kidnap, ransom and extortion policy should provide coverage for the following:

- Ransom and extortion payments as a result of a kidnapping or extortion threat.
- Loss of the ransom or extortion payment while being delivered.
- Expense coverage as a result of a ransom or extortion demand that includes

fees and expenses of independent negotiators, and travel and accommodation expenses.

- Legal liability coverage protection in the event it is alleged the insured was negligent in a hostage retrieval.
- Political threat coverage for expenses when a person is wrongfully detained by anyone acting for a government or with the government’s approval.

The damage this can inflict on a business can be severe, as the annual roll call of corporate and individual victims around the world testifies:

Kidnap outcomes

Most kidnappings are carried out in order to obtain a ransom, and in most cases a ransom is paid. Rescues are rare, largely because the authorities in most countries recognize that the safety of the victim is paramount. While the average occurrence of deaths following a kidnapping is 9 percent, this almost always is at the time of abduction rather than during the negotiation.

Kidnap demands

Demands can be huge, with more than 14 countries recording cases of \$25 million or more in recent years. Kidnappers usually settle at between 10 and 20 per cent of the demand, except in the old Soviet Union where the Mafia is extremely reluctant to negotiate and uses excessive violence to achieve its aims.

Kidnap payments

While most ransom payments are kept confidential, some substantial sums have been paid. Latin America features heavily in the list, but many of the largest settlements have been made in Europe. Recent years have seen a noticeable increase in average ransom payments.

Reward in business comes from taking risks, but the most successful businesses are those that analyze their risks carefully and take steps to protect against them. It would be relatively straightforward if companies were exposed only to day-to-day commercial and competitive threats; however, many business hazards today are far more difficult to protect and quantify.

Extortions also are a real threat to companies that produce products in this global economy.

What is extortion? The crime of obtaining money or some other thing of value by the abuse of one’s office or authority.

How should the policy respond?

The kidnap and ransom policy should provide full coverage for extortion. Extortion is defined as the following types of threats made in conjunction with a ransom demand:

- A threat to kill, injure or abduct
- A threat to damage property, a threat to contaminate products
- A threat to divulge trade secrets
- A threat to introduce a computer virus

Covered losses paid by the insurance policy should include:

- Unlimited fees and expenses of a certified crisis management company in investigation and handling the extortion threat

- Any ransom paid
- Loss in transit of ransom while being conveyed to extortionists
- Additional expenses including, but not limited to:
 - Reward to an informant
 - Cost of temporary security measures recommended by certified company
 - Fees of a public relations consultant
 - Fees of an interpreter
 - Salaries of employees assisting in negotiations
 - Personal financial loss due to physical inability to personal financial matters
 - Interest on loans raised to meet insured loss
 - Settlements and judgments imposed on insured for damages brought by or on behalf of an insured person or stockholders as direct result of extortion

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In November 2008, Express Scripts said it received a letter demanding money from an anonymous company under the threat of exposing records of millions of patients. The letter included personal information on 75 people covered by Express Scripts, including birth dates, social security numbers and prescription information. This could happen to you. Someone could hack into your computer and obtain information about your tenants that could include personal information as well as bank account information. Once this happens you should contact the certified crisis management team. At that point they will handle any fact-finding.

The crisis management team is first to handle the safe, timely and secure release of the victim if there is one. Second, they handle the extortion in the best interest of the client. Third, they want to safeguard your continued operations. And last, the crisis management team is committed to always act within the law.

Please contact your insurance representative to obtain a kidnap and ransom policy that includes coverage for extortion.

