



Kidnap and Ransom Insurance

Why is it relevant and what are the evolving risks that risk professionals should understand?

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Learning Objectives

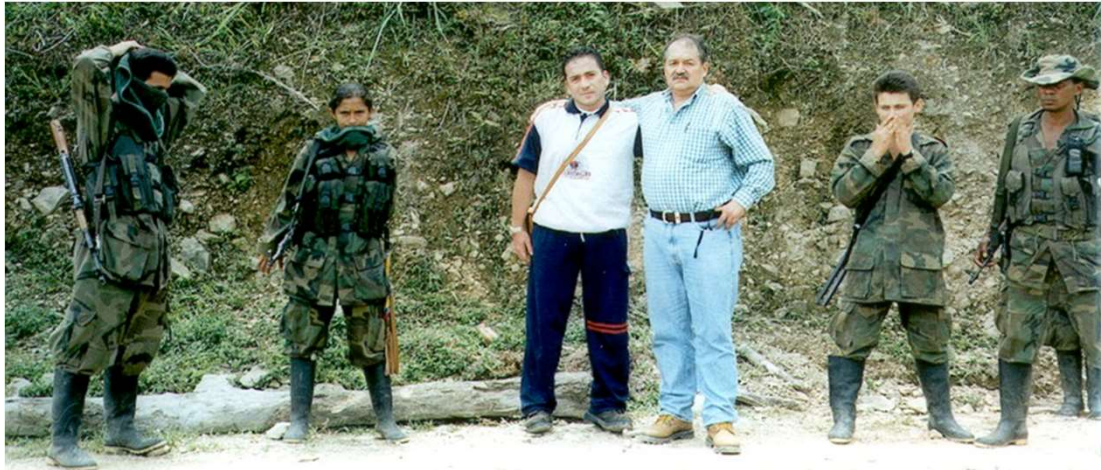


By the end of this session attendees will be able to:

1. Identify clearly what the policy responds to and how
2. Cite why it is an increasingly mainstream consideration for risk buyers
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Special Risks / K&R / Special Contingency

History...to Present Day

- The cover traces its routes back to the kidnap of Charles Lindbergh's son in 1932
- Reaching mainstream 1970s/80s but to a small audience
- Nowadays widely bought by developed-world corporations
- Niche; relatively few providers; overly shrouded in mystery
- c.500 insured losses per annum globally (c.40% kidnap / 40% extortive threats / 20% other)
- Cover continues to evolve and can now cover c.15 scenarios at broadest.

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KRE Policy Fundamentals



1. It is a **policy of indemnification**. This means that ransom payments and expenses incurred (except those of the insurer's response consultants) are reimbursed by insurers.
2. It is a subjectivity that the existence of a KRE policy **be kept confidential** as far as possible. It is a misnomer that this is dogmatic and not pragmatic.
3. KRE policies are **entirely legitimate and legal**. They can support organisations stay on the right side of the law when it comes to sanctions / proscribed issues.
4. Policy automatically provides coverage for all **directors, officers and employees (plus their families)**.

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Core Insured Scenarios



Kidnap. The actual, attempted or alleged kidnap/abduction involving three parties; the victim, the kidnapers and the party to whom a ransom is demanded as a condition of the victim's release.



Extortion. The making of illegal threats to people or property where a ransom is demanded as a condition of not carrying out these threats.



Malicious Detention. The holding of a covered person under duress, without a ransom demand, whether by legal authorities or not.









Hijack. The holding of a covered person under duress whilst travelling.






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Typical Extras



-  Child Abduction
-  Assault
-  Bribery
-  Threat
-  Workplace Violence


-  Missing Person
-  Hostage Crisis
-  Stalking
-  Express Kidnap
-  Virtual Kidnap



Political and Security Evacuation

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The Core Insurance Cover



Policy Limit, eg £5m (per section)	Unlimited cover	Sub limits
<ul style="list-style-type: none"> 1 Ransom 2 Ransom in transit / delivery 3 Expenses incurred by the client (e.g. salaries / legal / PR / medical costs etc) 4 Liability judgments, settlements and defence costs 	<ul style="list-style-type: none"> 5 Crisis Response Consultant expenses and fees <i>What do they do?</i> 	<ul style="list-style-type: none"> 6 Rest and rehabilitation 7 Death or injury

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What are the main considerations?



Risk Driver	Why?
Duty of Care & Prepared For Emerging Risk	No organisation can afford to be exposed. Geo-politics is moving fast right now, hard to know where the next issue will flare up.
Access to Help	By their nature, these are typically issues of severity, not frequency: access highly specialist and focused assistance on an as-required basis.
Liability Protection	The coverage is explicit and primary in supporting the policyholder
Complementary to internal resource	Alignment with internal risk and security resource allows for more seamless response
Business Continuity	High impact human events can be draining on resources and time; out-sourced support and assistance provides the crutch to lean on

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Threats and Trends

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Global Threat Locations



Consistent areas of risk:

- Mexico
- Nigeria
- Libya
- Sahel region
- Venezuela
- Honduras
- Afghanistan
- Somalia

Upcoming potential trends?

- Belt / Road initiative acting as an artery for SOC (Serious Organised Crime) into SE Asia
- Geo-political tension driving more Malicious Detention scenarios and Evacuations
- Ukraine war – overspill of weapons into European SOC
- South Africa teetering on ‘failed state’?
- Colombia seeing a resumption of Guerrilla activity under a more sympathetic government
- Climate change driving population displacement and radicalisation

Industry Segments: Buying Rationale & Underwriting Considerations



Industries at risk	Why?
Energy & Extractives	Often operating in volatile locations; sensitivity around environmental impact.
Aviation & Marine	High frequency of travel, multiple locations and broad spectrum of risks, including marine piracy.
Charities & NGOs	Often in extreme security locations and can be vulnerable through lack of protection.
Financial Institutions	Association with affluence at home and when travelling; often based in high profile locations.
Pharmaceuticals	Production of sensitive product and valuable IP; association with controversial practices.
Education	Young people are often vulnerable, on and off campus; faculty travel and study abroad programs.
Technology & Telecoms	High association with affluence and often high profile in location. Remote work in volatile places.
Religious Organisations	High frequency of travel to multiple locations, often in volatile parts of the world.
Security & Defense	Often extreme security risk locations and high-risk nature of work.





Case Studies

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Case Studies



Category	Case Study Description
Kidnap	Kidnap of business associate on a trip to Cape Town
Extortion	Threat to contaminate baby food manufactured in the USA
Threat	Threat to harm staff in UK NGO sector connected to immigration
Detention	Detention of Financial Institution professional in China
Hijack	Hijack of a commercial trucking vehicle in E Europe
Threat	Threat to harm staff in UK NGO sector connected to immigration

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Emerging Risk

An example of evolving complex risk and threat to travel

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Focus on: Malicious Detention

Malicious Detention: the holding of someone under duress, with no direct financial motive (ie kidnap), whether by legal authorities or not.

What might make someone a target?

- Being the 'wrong' kind of citizen, in the wrong location
- Misunderstanding cultural norms
- Business disputes that escalate
- Geo-political 'tit for tat'



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Considerations



Drivers of risk:

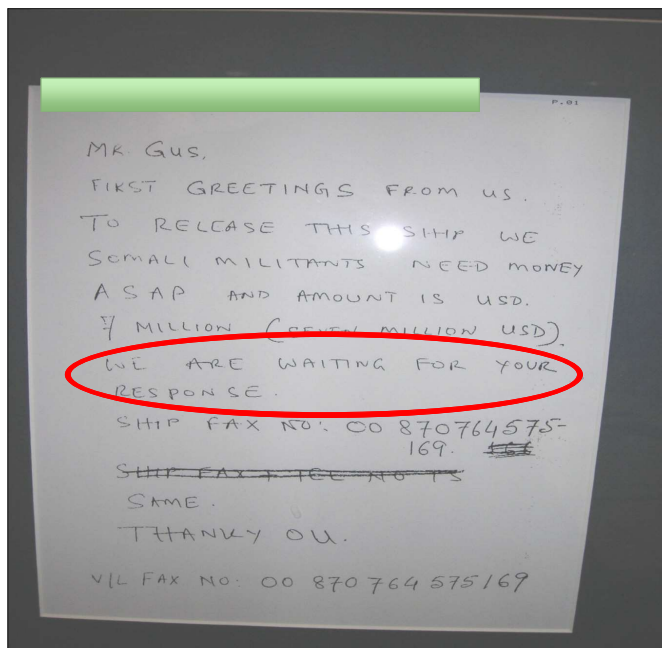
- US & West / Russia & China geopolitical tension in drive for global primacy
- Dual nationals of countries with hostility to the West
- Another tool in the locker for gaining political advantage, alongside trade embargos, sanctions, cyber means etc

Those at risk?

- Journalist, NGO workers, security and government contractors
- Executives in industries associated with critical national importance (intellectual property): pharma, tech, life sciences, financial institutions, defence etc

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- Ensure that your Response Consultant understands your organisation before an incident occurs
- Does your insurer allow any flexibility on who is used?

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