

Kidnap and Extortion Insurance



The kidnapping of individuals or related attempts at extortion are well-established crimes occurring on a global basis and affecting all levels of society. An endemic problem affecting Latin America, these crimes are now widespread in Africa, the Middle East, Central and Eastern Europe, Asia and the United States.

Most kidnaps are carried out to obtain financial reward and in most cases a ransom is paid. Rescue attempts are seldom made as authorities recognise that the safety of the victim would be seriously jeopardised.

Kidnap and Extortion Insurance

Kidnap and Extortion Insurance provides customised coverage to suit a client's specific requirements.

Both corporate and family policies are available and typically provide benefit for the following incidents:

- Kidnap
 - Extortion (threat to persons or property, including the threat to introduce computer viruses or divulge trade secrets)
 - Detention, abduction and hi-jack.
- Policies are designed to provide a level of financial indemnity as well as specialist training and response assistance. The benefits available depend upon the particular circumstances and would typically provide:
- Ransom reimbursement following a kidnap or an extortion
 - Reimbursement of ransom lost in transit
 - Unlimited expenses of specialist consultants to provide expert advice and assistance during an insured incident
 - Reward monies paid for information leading to the resolution of an insured incident
 - Other associated costs and expenses including legal, medical and psychiatric care, salaries of the victim and any necessary replacement, travel and accommodation, rest and rehabilitation costs as well as costs of communication and recording equipment and temporary increased security measures
 - Death, disablement or loss of limb, sight or extremity
 - Legal liability protection for the company.

Motivations for kidnap or extortion

The reason for the kidnap or extortion could be one of many – it could be terrorist, political, criminal, for revenge or by inadvertent involvement – but the ultimate outcome is always the same, a highly emotive situation where a threat is made by an external, often unknown, force. This force, be it an individual, criminal gang or terrorist group is intent on pursuing it's own agenda and sees the 'target' as a tool or vehicle towards achieving that aim. The motivation could be financial, to publicise a cause or for political concessions.

Implications of an incident

From a corporate perspective:

- A statutory 'duty of care' must be demonstrated by the organisation towards it's employees. If they expose personnel to dangerous environments for business purposes they have a duty to ensure that any risk exposure is minimised
- Organisations must ensure that they do their utmost to recover and rehabilitate the individual(s). Failure to do so could lead to loss of confidence within the organisation and in the worst case, high-profile lawsuits. The repercussions can be extremely damaging both financially and to reputation and could ultimately bring down an organisation
- Extortion based on threats of actual harm to employees and products, (including IT based deliverables), is also a well-developed criminal activity. Threats of this nature create disruption to personnel and business operations and carry the risk of adverse consumer reaction, loss of market share and heavy and unanticipated demands on finances
- Due consideration must be given to business continuity when key executives are absent or diverted to crisis management issues. This is very challenging and, unlike other crisis scenarios, dealing with a kidnap or extortion is not just a case of considering known business factors and quantitative solutions. In such cases 'life and death' questions may be very real. Senior management may find

themselves involved in a highly emotive, exhausting and prolonged incident where lives are at stake and where outcomes do not necessarily accord with normal business modelling

- Impact on the balance sheet when paying a ransom or extortion demand.

From a family perspective:

- This is probably the most stressful situation that a family can ever live through – the life, safety and well-being of a loved one is held in the hands of a third party where moral considerations are irrelevant. They view the individual and the family as a part of the bargaining process through which their aims will be achieved
- In most cases this will be a totally alien situation to the family where they have no idea what to do, who to turn to, or how they should negotiate with the kidnappers and pay a ransom or extortion demand
- Where the victim is the employee of a corporation there may be differences in the way in which the two parties would like the negotiations to be handled. The family will want the ransom paid immediately to secure the safe return of the victim as soon as possible. The corporation on the other hand, whilst concerned about obtaining the safe return of the employee, cannot be seen to be a soft target or else the safety of their other employees could be put at risk.

Response assistance

In the event of an insured incident, the policy provides for the services of specialist consultants who are experienced in the handling of kidnap and extortion situations. The methods and styles of kidnappers vary between countries and therefore negotiating tactics will also differ. The consultants work on behalf of the policyholder and it is their ultimate aim to work to secure the victim's safe and timely release. They do not negotiate directly with the kidnappers but are there to advise and assist through the duration of an insured incident. Their fees are automatically covered by the policy to an unlimited extent.

Prevention management

The response consultants can also undertake preventive, pro-active consulting to diminish the kidnap risk that is faced. They can assist the organisation in formulating, training and testing crisis management procedures to enable the organisation to prepare for an incident. They also provide training to personnel working or travelling in high-risk environments to improve personal security management and reduce their exposure to kidnap. No reference to insurance is made to maintain confidentiality.

Should they be kidnapped this training will assist them in acting in a way that will not diminish their chance of survival whilst being held and will minimise the psychological effects post event. It also enables the organisation to demonstrate the appropriate 'duty of care' to employees and minimise the implications.

The HSBC advantage

The Accident, Health and Contingency Practice have a broad range of experience in the placement of kidnap and extortion policies and work with a number of specialist consultants on programmes designed to reduce the personal security risks that are faced by companies and families world-wide. With direct access to the leading kidnap and extortion insurers, we recommend the appropriate insurer and response consultants to suit specific client requirements.

Due to the delicate nature of this insurance we ensure all discussions are undertaken in the strictest of confidence. We would welcome any opportunity to discuss your requirements, whether for a preventive risk management programme or for the placement of a kidnap and extortion policy.

Further information

Simon Henderson

Tel: +44 (0)20 7661 2653

E-mail: simon.henderson@hsbc.com

For full details of all products and services offered by the Accident, Health and Contingency practice, please visit our website at: <http://www.insurancebrokers.hsbc.com/accident-health-contingency>

Other Contingency products

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