

## **Kidnap & Extortion -- when the unthinkable happens (2/25 - 3/11 Knowledge Nuggets)**

I recently presented a webinar on Kidnap, Ransom & Extortion for the Insurance Journal Academy, and since my mind was on the topic I also posted a 3-part Nugget about it. The Nuggets are posted below in consolidated fashion. If you'd like to hear and see the webinar, go to [www.ijacademy.com](http://www.ijacademy.com) to register for the archived version. Use the discount code "education" for a 25% savings.

Kidnap & Ransom -- the Real "Executive Protection" coverage -- consolidated re-post of 2/25 - 3/11 Knowledge Nuggets

A while back I posted on Twitter regarding my Executive Protection Checklist. Interestingly, a couple days later I was being followed by an Executive Protection expert -- a bodyguard firm. I had never thought of "Executive Protection" that way, but certainly the purest form of Executive Protection is that of the Executive himself or herself against bodily harm.

One of the lines of business within any good Executive Protection program is Kidnap and Ransom coverage (sometimes also referred to as "Kidnap, Ransom & Extortion" coverage).

First thing to know is that K&R coverage is not nearly as mysterious as it initially appears. It can be very cloak and dagger, but in its most straightforward incarnation, it is simply a reimbursement policy for ransom monies paid to kidnappers, or attempted to be delivered to kidnappers.

Now, assuming that anyone who has enough money to attract kidnappers would also have enough money to pay them, this becomes merely balance sheet protection, and that in and of itself has a great deal of value. Typical insureds for this would be bank executives, CEOs of large companies, and especially wealthy executives that travel to foreign lands.

However, a policy does more than just pay ransom or extortion monies. Once an insured has a policy in-hand, they also get the benefit of having someone to lean on if and when the unimaginable happens. All the major K&R carriers have contracts with companies that specialize in executive protection (bodily) and they have extensive experience in negotiations, extractions, repatriation, and delivery.

The four major coverage parts found in most policies include: Kidnap, Extortion, Detention, and Hijack.

Extortion can pertain to threats to do bodily harm, threats to impair property, and threats to harm data. The harm done can include not only damage to the property or data, but also reputational harm evolving from the publicity about same.

Detention refers to circumstances where the insured person is detained by the authorities (or sometimes others) in a country due to an actual or alleged violation of some kind. If the insured

person truly is in the country illegally or engaged in illegal activities, the policy tends to exclude coverage. However, if the insured was not blatantly violating laws, the policy would generally respond.

Hijacking refers to insureds being nabbed in their vehicles for a quick return on the kidnapper's investment of time. Small demands, ATM withdrawals, or just the taking of whatever valuable possessions or money the victim has on his or her person at the time may satisfy the kidnappers.

The types of expenses covered by these policies can be mind-boggling. A short list includes: ransom, of course; crisis management expenses, negotiators' expenses, legal expenses, medical expenses, psychiatric aftercare, family travel expenses, the insured company's travel expenses, salary of the victim, salary of a replacement worker for the victim, reward for informant, advertising costs, and legal liability should the insured company be sued by the victim or his or her estate.

Who can be insured under these policies?

The company, its executives, or even all employees, if desired. Also included are family members, guests, domestic workers. Some policies include all ancestors and all lineal descendants. Others limit coverage to grandparents and grandchildren -- no "greats" or "great-greats" included. Coverage can be written on a scheduled basis, if desired, and some policies are purchased as individual or family policies without regard to any corporate entity.

One outlier of coverage is found in "child abduction" coverage. This coverage is generally used for hospitals in case someone abducts an infant or toddler from the facility. This is specialized coverage because these abductions frequently do not result in any ransom demand so otherwise would not trigger coverage. Limits may be different from the main coverage part, so consider carefully what's needed. Ransom is not usually what will eat up the limit, but there are other expenses to contemplate.

So how do you identify who among your insureds should carry this coverage? Think about:

- Insureds with significant personal wealth
- Insureds working for very large, high-profile or controversial companies (banks, oil/gas developers, chemical plants, etc.)
- Insureds who travel abroad
- Insureds who live or work near the southern border
- Insureds with family that travels

It's relatively simple to get a ballpark indication for your insureds for a whole year or for a particular trip. All you need to know is how many people travel to where and for how long.

So, for example, if you have a wholly domestic insured in a low-hazard location, but the principal's family is going to go to China for two weeks for vacation, you could easily get an indication for that trip. The policy could be purchased by the company, and the company could then reap some of the benefits of coverage. Or, a less expensive policy could be purchased by the family.

Alternatively, your insured might be located on the border and do business with points south. You can get terms for the scheduled executives and the five managers that work outside the US. Provide the underwriters with the headcount, locations, and they might want to know if there's a lot of traveling back and forth, and then you can get some ballpark terms.

Piece of cake.

Last suggestion -- don't input these policies in your system under "Kidnap & Ransom". Use something a bit more discreet, and store the list of covered persons away from the policy itself. No sense in courting trouble, right?