



Out of the Shadows

Selecting Your Kidnap & Ransom Partners

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It's an insurance policy we are not supposed to discuss in public. It should never appear on a schedule of insurance. In fact, the actual policy should be kept in a locked filing cabinet, separate from other insurance policies. The mere mention of this program draws snickers and sneers from those seated around the table. Comments such as "They wouldn't pay anything to get me back," and "My spouse would likely ask that they keep me," may be heard. Although kidnap, ransom and extortion (K&R) insurance is relatively inexpensive, it is often misunderstood and generally much-maligned executive protection coverage. Until a company needs it.

Because actual kidnappings are rarely reported to the police or government, there are no accurate statistics regarding how many incidents occur each year. Insurers and crisis consultants put the number anywhere from 50,000 to 200,000 events annually. The ransom and extortion industry continues to be lucrative, yielding somewhere between \$250 million and more than \$1 billion every year, and the zone of potential danger has expanded well beyond Central and South America. In fact, according to a Control Risks 2012 Worldwide Overview, Asia and the Pacific now account for the majority of known kidnappings for ransom over the past 12 months—mainly due to events in Afghanistan, Pakistan and India.

MICHAL GNATEK
Vice President
Aerospace & Defense
202.414.2662
mgnatek@lockton.com





K&R coverage has been around for many years. Often the insurance is provided as a throw-in or add-on coverage to other management or executive liability policies. Brokers cite the low price for a multiyear program, as well as the need to protect any employees traveling outside the United States. These are key reasons why an insured should add K&R to its portfolio. Underwriters will typically require a brief survey or even make use of an existing commercial crime application in order to provide options. On the surface, the underwriting process appears relatively simple and painless.

K&R insurance is really a two-part coverage. First, you have the actual policy contract, which typically has high limits, little (or no) deductibles, and broad terms and conditions issued by an insurer. Often extremely generous in scope, K&R has evolved over the years to respond to the various new methods of extortion and abduction for ransom devised around the globe. The second (and most important) part is the service provided by a crisis response firm engaged by the insurer to respond in the event of an incident. It's the latter benefit of the policy that is often overlooked by clients during the procurement phase.

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The Focus Belongs on the Crisis Response

Despite the ease with which insureds can procure K&R insurance, we would suggest that the process typically employed is backward. Instead of zeroing in on the first part of the coverage, completing a simple application and choosing the lowest price for the longest term (or merely bundling the K&R with the crime, fiduciary, and directors and officers liability policies), we recommend that insureds focus on the back room: the crisis response firm that will be on the other end of the phone when the need arises.

Clients should have a strong comfort level with their crisis consulting firm. In fact, we believe that insureds should meet face-to-face with these response firms not only to better understand the capabilities and services offered as part of the K&R policy, but also to learn if there are other professional crisis services that the client could use in the event of a nonkidnap or extortion event.

The Capabilities to Expect From K&R Services

- ❖ Number of responders available around the world (not to include subcontracted firms or employees).
- ❖ Extensive language capabilities.
- ❖ Consultants with open visas and the ability to quickly gain access to “hot zones” or difficult countries and regions.
- ❖ Prior experience—including proper on-the-ground contacts—in the countries where the insured will be operating or sending employees.
- ❖ A good history of successful negotiations, especially in countries where the insured will be operating.

Once the crisis response teams are properly vetted, clients should then work with their broker to select the best insurer to meet their needs. Factors such as the carrier’s expertise, claims paying reputation, risk appetite for dangerous parts of the world and experience in the K&R industry are important to understand prior to binding coverage. The relationship between the crisis response firm and the insurer is also vitally important.

When it comes right down to it, many clients select K&R programs based on price because the policy is often viewed as a commodity. However, it is important to realize that companies are not just buying insurance capacity; they are selecting a response firm that could be the difference in bringing their employee or dependent home safely.

Our Mission

To be the worldwide value and service leader in insurance brokerage, employee benefits, and risk management

Our Goal

To be the best place to do business and to work

