

Kidnap Risk

Since the Lindbergh baby case in 1932, kidnapping has become a major risk for high-profile individuals, corporations and political groups; it has also become, quite naturally, a booming business. A wide array of insurance policies have arisen to address this risk.

In addition to simple insurance coverage, a slate of crisis management programs have also evolved to help companies and individuals address the financial, logistical and emotional consequences of kidnap and ransom. Each insurer will have their chosen resource i.e. Chubb retains The Ackerman Group, AIG retains Clayton Consultants and Hiscox retains Control Risks Group. These are the types of firms portrayed in the popular movie “Proof of Life” (Russell Crowe/Meg Ryan).

Most of these firms offer not only crisis management– but risk analysis and security planning services (not included in the premium!). For frequent travelers, these firms also have subscription-based information analysis of political, security and the risk developments in most countries and major cities. (Canadian Foreign Travel Alerts issued by our government can be found at <http://www.voyage.gc.ca/dest/ctry/new-en.asp#ctr>)

Potentially some Coverage under Your Homeowners Insurance

Clients covered by “high end” insurers like Chubb will likely have a degree of coverage under their Homeowners Insurance – being \$100,000 “Kidnap Expenses” i.e. hiring the aforementioned crisis managers. It does NOT indemnify you for ransom payments. “Masterpiece Family Protection” can be added onto your Chubb Homeowners policy which extends this expense coverage to Car Jacking and Home Invasion Risks. (See separate HUNTERS memorandum).

Kidnap, Ransom and Extortion Insurance

“Full Coverage” can be purchased by a corporation for all directors, officers and employees including their families. It can also be purchased by just one

family. Corporate coverage *does* apply when an event occurs during a personal trip. “One Family” coverage is generally less expensive.

The rating process is extremely subjective with premiums generally based on the following factors: Applicant firm's asset; Revenue; total number of employees; countries of operations; normal travel frequency; visibility of firm (firm's profile); loss or threat history and limit of liability selected. Overall, the market remains soft for this coverage despite a rise in insured events worldwide.

Companies with sales in the \$100 million range will buy on average \$5,000,000 of coverage. Minimum policy premiums are \$1,000 – average roughly \$3,000 annually– with three year policies available.

Most K&R policies address the following four basic hazards – on a reimbursement basis:

1. Extortion coverage - applies to ransom payments made as the result of kidnapping an insured.
2. Extortion Bodily Injury - reimburses the insured for expenses following the receipt of a threat to kill or injure an insured person. This coverage differs from that of a kidnapping in that the person threatened has not been abducted and steps can be taken to protect him or her.
3. Extortion Property Damage, expenses following the receipt of a threat to cause physical damage or loss to the insured's products or property i.e. threats to introduce a virus into a computer system or to reveal trade secrets as well as threats to produce publicity that the insured's products will be (or have been) contaminated,
4. Wrongful Detention - expenses associated with incidents in which an insured person is held under duress for any reason, i.e. by legal authorities or government

For an application contact Brooke Hunter or Marc de Montigny at 416.323.9300

