



Coverage Insights

Kidnap, Ransom and Extortion Insurance Coverage

Kidnap and extortion is a legitimate threat in today's day and age. Unfortunately, these illegal acts have become a type of business in various parts of the world in which sights are set on wealthy American businesses. With regard to foreign business travelers, kidnappers take professionals captive to make a profit, not to harm them. In most cases, the professional is not killed and is released once the kidnapper's demands have been met. According to Risk & Insurance Magazine, the need for kidnap and ransom coverage will grow 20 percent annually because over half of all overseas attacks are business related. This is particularly true in areas where law enforcement has a blind eye to guerilla activity and in areas that are extremely poverty stricken. To combat financial losses in the event of a kidnap or extortion situation, kidnap, ransom and extortion (K&R) insurance is a practical risk transfer option.

What is K&R insurance?

K&R is typically a stand-alone policy for employees engaged in international business travel. It covers costs relating to events such as:

- Kidnap and ransom—seizing an employee with in the intent to demand money in return for the employee
- Wrongful detention—confining an employee under the guise of government
- Extortion—demanding money with the threat to injure or kill an employee, damage property, divulge trade secrets or spread a computer virus
- Hijacking—holding an employee for an extended period of time against his/her will on an airplane, motor vehicle or ship.

Coverage includes ransom and extortion payments, in-transit money delivery coverage, consultant costs, negotiation costs, public relations costs, interest fees coverage, judgment settlements and defense costs.

The policy also covers harm to the captive employee and his/her family such as death and dismemberment benefits, medical costs for injuries and psychiatric treatment after the employee is freed.

Coverage is particularly helpful during times of negotiation, as experts are provided to the company to successfully free the captive employee with minimal harm.

Check with your insurance carrier to see if they offer training sessions for traveling employees to educate them on how to react in a hostage situation. The training typically provides insight on how to initially deal with captors until an expert is available to take over negotiations.

Insurance carriers also advise that employers not reveal that they have K&R coverage. This confidentiality provision is designed to thwart employees from revealing to potential captors that they are insured. A large K&R insurance policy may make the employee appear as a lucrative target.

Who Needs K&R Insurance Coverage?

Companies operating overseas need K&R insurance to protect their traveling employees. This applies to businesses of all sizes—kidnappers do not prefer larger companies over the small ones. In this business, everyone with money is considered a good target.

The coverage is particularly beneficial for employees who travel to so-called high risk regions of the world. According to Risk & Insurance Magazine, the countries with the highest frequency of kidnap and/or extortion are Brazil, Colombia, Ecuador, India, Mexico, Nigeria, Phillipines, Russia, Venezuela and South Africa.

Underwriting Considerations:

The premium for this type of coverage is generally based on the following:

- Type of industry
- Revenue of the insured company
- Country of residence
- Travel patterns of the employees

At JMB Insurance , we can assist you in designing a K&R a policy that meets your company's specific needs. We work closely with K&R insurance carriers to ensure you have the coverage, training and support you need, when you need it most. Call us today at 312-915-2200 for more information.

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