



## Kidnap, Ransom and Extortion Coverages

**While it may sound like exotic coverage, Kidnap, Ransom and Extortion insurance policies are widely used by companies doing business overseas, especially in politically unstable areas. The coverage is also especially valuable to companies with a high public profile.**

### The need

In all too many areas of the world, U.S. corporations are often operating in hostile environments, or in regions vulnerable to terrorists, radical political groups, or even organized crime.

Although the events are rarely publicized, kidnapping and extortion attempts are surprisingly common worldwide — especially in locales where law enforcement may be undependable. ‘Foreign’ corporations are often seen as rich targets, which places their employees and assets at risk.

Kidnap schemes involve seizing employees who are forcibly held until a substantial ransom is paid for their release. Extortion entails threatening a company with harm to employees, to company assets, or to products unless a sizable payment is paid. Such schemes saddle a company with the costs of immediately responding to the threat, with protecting its people and assets, and with tending to the aftermath.

### The coverage

Kidnap, ransom, and extortion policies are designed to reimburse a company for any cash or property that is turned over to kidnapers or extortionists, as well as for expenses involved in responding to the threat and in protecting employees.

Extortion coverage specifically covers situations where someone threatens harm — such as destruction of property, a bombing, or poisoning of a food product — unless a substantial payment is received. Coverages now typically include certain ‘cyber’ extortions, such as threats to disable a computer system, divulge credit card numbers, or release confidential data.

Many policies also provide for the services of a security firm — in the event of a kidnapping or extortion attempt — who can assist the company in managing and responding to the crisis.

### Depending on the policy, coverage can include reimbursement for costs such as:

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Fees for negotiators, informants, and independent investigators

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Costs for public relations counsel and services

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Salary for abducted employees, and replacement workers

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Additional security expenses

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Interest on loans taken for payment

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Medical and related expenses for abducted employees

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Product recall or removal expenses

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### Example Loss Scenarios

During a weekend outing in Latin America, a US computer company executive and his family are abducted by what appear to be armed militants. The abductors demand \$1 million for their release, within 48 hours, under threat of harm to the family.

Under their K&R policy, a crisis management team from a security firm is dispatched to the area, who immediately move to negotiate with the abductors, protect other employees of the company, and arrange for delivery of the ransom, with the cooperation of local authorities.

*The company is reimbursed for more than \$2.3 million in expenses and costs associated with the event.*

A major online retailer in the US receives a threat from 'hackers' claiming to operate from somewhere in Europe. They claim they have cracked the company's secured servers and are threatening to release the credit card numbers of more than one million customers unless a sizable payment is wired to an account in an eastern European country.

*The company must immediately move its operations to a back-up facility, investigate the threat, and respond to the extortion demand, incurring more than \$5.9 million in costs.*

Questions?

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