

The basics of kidnap and ransom insurance



Kidnap and ransom insurance provides protection for businesses and individuals in the unlikely event of a kidnapping, hijacking, disappearance, other travel security incident, or threats made against covered individuals. Kidnap and ransom insurance may commonly be referred to as K&R, KRE, special risk, or special crime coverage. For businesses, kidnap and ransom policies provide access to crucial asset-specialized response teams that are trained and experienced in helping businesses manage a variety of kidnap, ransom, and extortion scenarios. These teams are often comprised of former law enforcement, government, or military personnel. In addition to such expertise, kidnap and ransom insurance policies can also provide reimbursement for actual ransom amounts, medical costs, business interruption costs (as a result of a kidnapping), travel and accommodation for families, and other investigative costs if there is a suspected or unknown event (such as a threat).

What's covered?

Coverage under kidnap and ransom policies can vary depending on the policyholder's risk profile. The most common coverages included in policies — or that may be added for an additional premium or at the request of insureds — include:

- 1. Kidnapping for Ransom:** The illegal actual or alleged taking and holding captive of an insured person by individuals who then demand ransom or assets from the insured person as a condition of their release.
- 2. Extortion:** Illegal threats made either directly or indirectly to cause harm (bodily injury, property damage or divulgence, or use of trade secrets) by persons who demand a ransom as a condition of not carrying out such threat.
- 3. Disappearance:** The complete and unexpected loss of contact with an insured person for a period exceeding a certain amount of time (usually 24 to 48 hours). Disappearance coverage under kidnap and ransom policies is typically sublimited and limited to investigation costs only.
- 4. Hostage Crisis:** The illegal holding of an insured person by one party in a conflict as security that specified terms will be met by an opposing party in the immediate proximity of the insured person. This coverage is typically sublimited.
- 5. Threat Response:** A threat made against an insured to inflict bodily injury, cause property damage, or reveal confidential or proprietary information that is not accompanied by a ransom demand. This coverage is typically sublimited.

6. **Loss of Earnings:** Business interruption caused by an insured event or extortion attempt to physically damage an insured's property.
7. **Travel Security Evacuation:** The evacuation of a traveling insured from a host country of which the insured is neither a resident nor a citizen. This coverage is typically sublimited.
8. **Expatriate Security Evacuation:** The evacuation and return or repatriation of an insured to a host country of which the insured is a resident but not a citizen. This coverage is typically sublimited.
9. **Express Kidnapping:** The kidnapping of an insured person for a period of less than 24 hours with the sole intent of demanding ransom directly from the personal assets of that insured person as a condition of their release. This coverage is typically sublimited.
10. **Product Loss:** Illegal threats to an insured or the public that the insured's products have been contaminated, polluted,
11. or rendered sub-standard. This coverage is optional and not otherwise provided under traditional extortion coverage.
12. **Assault:** An employee or other person entering the workplace or premises on which an insured conducts business with a weapon and causing death or harm to employees or guests. Covered costs can include medical costs, mental health costs, business interruption costs, and temporary additional security costs. This coverage is optional and usually requires additional premium.

Policies can also cover:

- The loss of a ransom that is in transit.
- Expenses incurred by consultants, usually provided by insurers, to respond to any covered event in the policy. Coverage for such expenses is typically unlimited.
- Death or permanent total physical disablement of an insured person during a covered event. This coverage is typically sublimited.

How is a policy typically structured?

Kidnap and ransom policies are typically placed with one insurance company and are written in amounts from \$1 million to \$50 million per occurrence, depending on the size of the company and the countries in which it conducts business. Coverage may be available for a three-year policy period, on either a prepaid or annual installment basis. Kidnap and ransom policies typically do not carry any deductibles or retentions; all coverage is first-dollar coverage, although some waiting periods may apply.

Who is considered an insured?

Kidnap and ransom policies are generally broad in scope. The definition of an insured can vary by policy but typically includes:

- All directors, officers, employees, leased and/or temporary employees, students, interns, and volunteers.
- Former directors, officers, and employees retained as consultants.
- Guests who are attending or participating in events sponsored by the insured.
- Relatives of insured persons, including spouses, domestic partners, fiances and fiancées, foster children, stepchildren, grandparents, and grandchildren.
- Persons who reside in or are employed in the household of insured persons.
- Guests in the home of insured persons.
- Guests and/or customers of an insured's premises or in an insured's transport.
- Person negotiating or delivering ransom.

What key policy terms should be considered?

In order to understand the breadth of coverage under your K&R policy, you should consider and discuss the following with your insurance advisor:

- **Country limitations:**
 - Is the carrier imposing any country exclusions that could limit availability of insurance? This would be listed on the declarations page of the policy.
- **Insured persons:**
 - Has the policy appropriately addressed all the persons for which the company may have liability?
 - Are there any additional employees or family members the company wishes to cover?
 - Are there any additional persons regularly on your premises that should be considered insureds?
- **Insured event**
 - Are the traditional definitions expanded to explicitly include coverages like express kidnapping?
 - Is the insurer providing all of the coverage extensions that are necessary to adequately insure the company? For example, travel security evacuation may not be added unless specifically requested.
 - Are you aware of the benefits of additional coverages, such as assault expense, and their cost?
- **Ransom**
 - Does ransom include virtual currency?
- **Response firm**
 - Have you identified the response firm that will work with your carrier?
 - If there is a firm you'd rather employ, have you explored coverage with a carrier that does not require their own response firm?
- **Cyber exclusions**
 - Carriers are beginning to severely restrict coverage with regards to cyber events, including extortion and ransomware causing business interruption. There are varying degrees of coverage remaining in the marketplace. Have you evaluated which is best for your company? Do you fully understand what will not be covered under the K&R policy?
- **Response firm credit and services**
 - Does your policy provide a credit (10%-30% of premium paid) towards response firm training or services?
 - Does the credit expire after the first policy year?
- **Claim notification**
 - Are the proper members of your security, legal, and risk management teams aware of the coverage that may be available for certain events?
 - Are all team members familiar with the proper procedures for handling claims with insurers? And do those procedures align so that an insured can be properly reimbursed?

WHY DO YOU NEED K&R INSURANCE?

There are many reasons why all companies should consider purchasing kidnap and ransom insurance:

- Companies may not have relationships with the companies best-equipped to help them in kidnap and ransom situations. These situations are often delicate and stressful for companies and families and the potential liability for mishandling an event could be high, while the cost of an insurance policy is typically fairly low.
- The consultant expense in a K&R policy is typically unlimited and is accessible at a \$0 retention. Thus even if relationships exist, the policy provides the value of advice from experienced firms for the duration of an event at no additional cost to the insured.
- The policy provides balance sheet protection for companies that could be susceptible to various risks in the event of a kidnapping, including ransom amounts, liability amounts, medical costs, and consultants.
- The policy provides coverage that allows insured companies to focus on employee safety and costs. Purchasing a policy is financially responsible and can also improve a company's public perception.
- Even if you do not have international operations or travel, the policy can address many events that can occur domestically, including hijackings, threat investigations, and extortion demands.

For more information, please contact your Marsh representative or:

Abigail Williams

Kidnap & Ransom Product Leader

Marsh FINPRO

+1 215 246 1181

abigail.williams@marsh.com

Deepak Adappa

US FINPRO Advisory Leader

Marsh FINPRO

+1 312 391 2948

carolelynn.l.proferes@marsh.com



About Marsh

Marsh, a business of Marsh McLennan (NYSE: MMC), is the world's top insurance broker and risk advisor. Marsh McLennan is a global leader in risk, strategy and people, advising clients in 130 countries across four businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. With annual revenue of \$23 billion and more than 85,000 colleagues, Marsh McLennan helps build the confidence to thrive through the power of perspective. For more information, visit marsh.com, or follow on [LinkedIn](#) and [X](#).

Marsh is a business of Marsh McLennan.

This document and any recommendations, analysis, or advice provided by Marsh (collectively, the "Marsh Analysis") are not intended to be taken as advice regarding any individual situation and should not be relied upon as such. The information contained herein is based on sources we believe reliable, but we make no representation or warranty as to its accuracy. Marsh shall have no obligation to update the Marsh Analysis and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting, or legal matters are based solely on our experience as insurance brokers and risk consultants and are not to be relied upon as actuarial, tax, accounting, or legal advice, for which you should consult your own professional advisors. Any modeling, analytics, or projections are subject to inherent uncertainty, and the Marsh Analysis could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change. Marsh makes no representation or warranty concerning the application of policy wording or the financial condition or solvency of insurers or reinsurers. Marsh makes no assurances regarding the availability, cost, or terms of insurance coverage. Although Marsh may provide advice and recommendations, all decisions regarding the amount, type or terms of coverage are the ultimate responsibility of the insurance purchaser, who must decide on the specific coverage that is appropriate to its particular circumstances and financial position.

1166 Avenue of the Americas, New York 10036

Copyright © 2024, Marsh LLC. All rights reserved. MA19-15687 934968129