

Navigating Emerging Liability Risks

Episode 1

Preparing for the Unexpected: Kidnap, Ransom, Extortion, and Workplace Violence

Welcome to the “Navigating Emerging Liability Risks with Marsh FINPRO” podcast miniseries. I'm your host, Deepak Adappa, Marsh's US FINPRO Advisory Leader.

Organizations today are navigating a rapidly changing risk landscape that poses various challenges for senior leaders and executives. Emerging technologies, regulatory shifts, and evolving trends are introducing new risks and intensifying existing ones, necessitating proactive governance and risk management strategies. Through this podcast series, we examine directors and officers (D&O) liability, employment practices/wage and hour liability, fiduciary liability, and kidnap, ransom, and extortion risks that organizations might expect to face.

To do so, I'm joined by four of Marsh FINPRO's liability practice leaders: Ruth Kochenderfer, D&O Product Leader, La'Vonda McLean, Employment Practices Liability/Wage&Hour Product Leader, Kate Maybee, the Fiduciary Liability Product Leader, and Alyssa Wade, Kidnap, Ransom & Extortion Product Leader. They and their guests are eager to share their insights with you.

Deepak Adappa:

So without further ado, I'm pleased to introduce you to your host for this episode, Alyssa Wade.

Alyssa Wade:

Hi, I'm Alyssa Wade, Marsh's Kidnap, Ransom and Extortion Product Leader.

Today I am joined by Chris Arehart, Senior Vice President and product manager of first party products, including crime, Financial Fidelity, Kidnap, ransom and extortion and workplace violence expense insurance at Chubb, along with Joe Deters, president of the Ackerman Group, and Joshua Ackerman, CEO of the Ackerman Group.

Today, we'll be discussing kidnap, ransom and extortion and workplace violence related events that have been receiving a lot of attention lately.

So with that being said, let's jump right into it.

Chris, I'm hoping you can kick things off and can share a brief overview of a kidnap, ransom and extortion insurance policy.

Chris Arehart:

Well, thank you, and it's a pleasure to be here. Thank you for the invitation from Marsh to talk about what is a serious topic. You know, an event involving kidnapping, extortion, ransom, these things. You know, these types of threats seem unimaginable to us, but as we know, as insurance professionals and as security professionals on the line here, they do happen and unfortunately many companies find that they're not prepared to respond to them should they happen.

The kidnap ransom policy – Chubb's kidnap, ransom and extortion insurance - is designed to help businesses and individuals navigate and recover from these incidences. The policy works before, during and after an event. So I'll walk through a little bit about how the insurance contract functions.

First, on the front end, it's access to that service. So we have two fantastic gentlemen here on the phone from the Ackerman Group where we provide on the front end the access into those individuals that are trained and that can respond 24 hours a day, seven days a week to threats made by the company - made against the company, rather, to the employees and their families. So that service gives that customer the ability to

respond because this is not work that they know how to do. They frankly wouldn't know where to get that kind of service should an event unfold in front of their eyes.

If the event occurs, the policy then reimburses a wide range of expenses. So in addition to the cost of the Ackerman Group or other selected independent negotiator, the policy addresses costs such as security guard services, salaries for employee victims and their replacement workers, and if necessary, and we hope that it doesn't come to this, but the cost of reimbursing the expense of a ransom payment.

And then on the backside, after the dust is settled - the individuals come home, we have a successful negotiated event - the unforeseen cost continues so their policy continues to reimburse expenses after the person comes home. There may need maybe immediate trauma response that generates medical and mental health costs for victims, the survivors and immediate family may require rest and rehabilitation.

And unfortunately, in our society, legal action is always a possibility in the wake of a kidnapping or detention coverage for these types of expenses is not generally contemplated by traditional property, casualty or management liability policies, and that's where the K&R any as you called it, customer policy comes into play for insured.

Alyssa Wade:

Thanks, Chris. That's super helpful, that primer and it's great to know that when the client purchases an insurance policy, they're really having their hand held throughout the entire process because it doesn't sound like it's, you know, necessarily a straight line from start to finish.

One thing I did want to discuss is just kind of, you know, in the past my perception of KRE used to be only clients purchases that had international travel, but it seems like lately more and more I'm hearing about events occurring right here in the US, specifically as it relates to threats. Can you and Joe and Josh speak a little bit more to what you've seen in terms of threats and what you're expecting to potentially see in 2025?

Chris Arehart:

Absolutely. I think that's a great insight that threats are the beginning of an event. So we hope, at CHUBB, we hope that every threat is mitigated and doesn't escalate

beyond a threat. Threat mitigation becomes really important, and the policies are built to react to those expenses and to get these gentlemen, you know, on the phone very quickly in the event of a threat.

As for insurance, purchasing and trends, we definitely see an uptick in customers that identify that threat exposure. And these companies aren't even companies that have international locations.

So I recall one of one of the first customers that I sold the policy to as a young underwriter, not five years ago, which is hard to believe, but 25 years ago, as a customer that was doing an import export business and they would travel overseas, but they had no international locations and suddenly because of some event overseas, they got embroiled into a detention problem and needed some help and didn't know where to call. But they called the Ackerman Group because they bought the policy and were able to get a response, so the lack of international locations, that's definitely no longer an issue when it comes to the trends of customer purchasing.

And the home grown exposure is certainly there. I think that Josh and Joe, what are your thoughts on the trends regarding threats, particularly against organizations here in the states?

Joe Deters:

Thank you, Chris. This is Joe. I think with what we've seen very recently in the corporate world, especially as it applies to executives, that a lot of companies are reevaluating potential vulnerabilities that they have, and as they are confronted with security issues, especially threats, they are much more likely to give us a call to have us assist in assessing that threat, which is fantastic.

We love to engage with our clients. The sooner they get us involved when they have a potential security issue or a potential threat, the more effective that we can be. And we have certainly seen an uptick in that and when I say threats, these are things that it doesn't have to be necessarily related to a kidnapping event or an extortion event.

We have clients that call us to discuss a disgruntled employee that's been dismissed and now seems to be harassing the office place. And that some of the threats or the commentary that's been made certainly crosses a line, it's certainly a threat of violence, and that's where

we can give them some good guidance as to how to manage this, this kind of issue.

There's all kinds of threats that companies are receiving that come in online. And often times I think, I think before people were much quicker to dismiss an online threat because there's lots of crazy people online and we're going to just dismiss that. Well, that's I think folks rightfully so are taking some of those, some of that language and some things that that are certainly threatening in nature, giving us a call and talking it through with us, and I think that it's a, it's a productive exercise.

These are calls that are going to last anywhere from 30 minutes to an hour, we're not going to charge our client for, this is this is what they purchase when they purchase a CHUBB policy and we're happy to do that.

So I think you know moving forward, it's great that we've had such a real uptick in calls to discuss different security issues as it as it relates to threats, and we're certainly always available, we're always available to take those kinds of calls.

Alyssa Wade:

Thanks Joe. It sounds like mitigation is certainly a number one priority here. One quick follow up question for you. I'm assuming threats are industry agnostic. Is that accurate or are you seeing more threats in a particular industry lately?

Joshua Ackerman:

I could certainly speak to that, so I would agree that threats are industry agnostic as you put it. We responded to a number of different threats and all different kinds of industries and corporate workplaces and large manufacturing facilities coast to coast.

When you when you think of a threat against the workplace, you think of, as Joe alluded to earlier, maybe a disgruntled former employee or an active employee that has some type of issue with management or the coworkers. One thing that we're seeing a lot of that's in my opinion a little bit more complicated, a lot more complicated in some ways to respond to, are domestic situations that risk transfer over to the workplace, so you have a large workforce and they have maybe an issue domestically or personally outside of the office?

That is now going to impact the security posture of the office. The person on the property, and we've seen a big uptick in those types of situations. Again, it's technically nothing to do with the insured or nothing to do with what industry they're in, but they are, that issue is finding its way to directly impacting negatively impacting the workforce and all the coworkers there.

Alyssa Wade:

Thanks Joshua, that's helpful.

So again, just kind of going back to, it sounds like prevention and mitigation are certainly key here. But I did want to spend a little bit of time kind of taking that a step further. You know, in the event that we're not able to stop a threat before it turns into an actual event. We've seen a lot of focus and client and prospect inquiries over the last two months about workplace violence.

I do want to just switch gears and talk about workplace violence a little bit. Hoping you can tell us a little bit more, Chris, about the offering that CHUBB has on that front.

Chris Arehart:

Absolutely. Workplace violence insurance expense insurance is a separate policy or coverage part, but addresses the unforeseen costs associated. Those threats that you mentioned, but also other acts of violence in the workplace. For 25 years, CHUBB has helped companies respond to these threats and recover from threats in the workplace.

It's also a reimbursement policy. It complements your traditional insurance coverage for loss involving those those threats of violence and potential violence. It addresses a wide range of expenses. Some are similar to the Kidnap/ransom, but others are very specific to workplace.

So for example, the impact on survivors, particularly those that are witnessing an event, if you have an actual active violence in a workplace, there is a mental health concern and a mental health crisis in in the event of a of an actual activity of a, of a shooting, or of a of a violent event and those individuals need immediate crisis management help from folks that are trained in that area...so the Ackerman Group are fantastic at dealing with the actual threat, the perpetrator, etcetera.

But then CHUBB, actually...we partner with a group called R3 Continuum and they are a behavioral health crisis management consultancy. They have a wide network of behavioral health clinicians that can immediately deploy to an area and give the individuals that are suffering some immediate trauma counseling and that access to resiliency and recovery, I think sets apart the CHUBB policies from some of the other products that may be out in the workforce. Or in the in the workplace rather that it fills that gap that may get left behind between traditional insurance, like general liability or property casualty or workers compensation or EAP programs, employment practices...all these policies may have a finger in an event may be called upon, but none of them really hit the issue head on with coverage for explicit coverage for the event.

Alyssa Wade:

Thanks Chris. So the kidnap, ransom and extortion insurance policy is just set up so differently than other financial lines, products that we work on because we really have this 4th party, so to speak in you know the Ackerman Group or risk consultant. You know, we have Marsh being a broker, CHUBB being the carrier or the client, and then there's the Ackerman Group, which a lot of I think our clients and prospects aren't always familiar with another party here, and I know how you touched on, you know, the Ackerman group is really the first call in the event of a workplace violence.

But Josh and Joe, can you give a little details about, you know, the services you can provide, you know, outside of an actual event, you know, before something even happens in terms of crisis management planning and to that to that end.

Joe Deters:

Sure. I'll jump in and mention a couple of the services that we provide and then I'll let Josh finish up. And he can go into some detail about security audits that we provide and have been very busy this year providing those to to clients.

Everything has to do with prevention and threat mitigation. So to that end, we ought, we have some great offerings in training. We provide a workplace violence prevention training that consists of really, it's we split it in half. We like to meet with executives, supervisors, management folks on the first part of the training to go through different, different strategies that are, that that are important for them to know as leaders

and for them to be able to communicate to other employees. And then we've got another part of the training which is for everybody in the company, it's all hands.

So we're gonna give good guidance in terms of what people can recognize as reportable behaviors, things that they might see their coworkers doing that could end up in a manifestation of violence. We wanna give people good information.

As to how to identify those signals and then later how those how their observations need to be communicated up the chain something can can be done. So we spend a lot of time with those with with that part of the training, and then we also complement that with a workplace violence prevention plan that we give to those clients so they can customize it to their needs, to their employees, and we help them work through that process, so by the end of the day, they've got a written plan that they can use as well as some good practical guidance and knowledge that their supervisors and their employees are going to are going to be able to use in in, in a strong effort to prevent any kind of workplace violence incident.

Joshua Ackerman:

And I'll speak just a little bit more towards the sort of the physical security assessments that we do routinely hear. These are comprehensive reports that we do on behalf of our clients regarding the physical workplaces, the office buildings, the facilities, whatever they may be, we go in there and when I when people think of the physical security audit, right, they're going to think about doors that are left unlocked in places where you need to put security cameras, and uh, if there's a security guard presence, all that stuff is extremely important. We go into a lot of detail when it comes to those those assessments and those recommendations, but one thing that we've placed a greater emphasis on in the last few years has been really.

When we go out and meet with our clients and get to know their the internal workings of their organizations, is the internal reporting protocols that they have in place and in a lot of cases don't have in place. If somebody you know, it's the old adage, if you see something say something. In a lot of threats to the workplace, there's going to be telegraphic activity, red flags, you might call them that where somebody said something, somebody made a threat, somebody made a comment, somebody

posted something online, and people know about it and people are talking about it, but for a number of reasons or whatever reason, it's not being being dealt with appropriately. And so we sit down with human resources, we sit down with IT, we sit down with anybody in the corporate structure and really try to see, OK, where can how can we improve this process? How can we make it so that when somebody hears something, even if it's, you know, a flippant remark that they might not be thinking too much about, how does that get reported up the chain so that it can be dealt with.

In almost all the cases that Joe and I have responded to threat incidents affecting workplaces, I don't, I don't ever have to say 100%, but overwhelmingly you have, well, that person, that aggressor, said this thing two months ago and it was never reported, and nothing was done about it. And so the best way to prevent that, obviously, preemptively, is to go in there and we in some cases we're building out those protocols, writing them out step by step by step. This is the kind of you know you need a a number. You need a tip box, you need an open door policy, very bespoke to the corporate structure that we're talking about for the clients I I would say .

The other side to that is we also for senior executives do a lifestyle assessments, executive security assessments where we look into their patterns, their routines, their day-to-day, even outside the workplace, since as the leaders of these corporations, they're going to be at a higher risk. If somebody has a problem with the company or a problem with them personally. And we go into the routes that they drive their children to school every day, the vehicles they use, their home security posture, there's really nothing that we don't we don't look at when we do these reports. They're very detailed. Very proud of them here. And we find that our clients, you know, they really take them to heart and make those necessary improvements so that when something does happen, they know how to respond to that quickly and efficiently.

Alyssa Wade:

Josh one thing you said that really kind of stuck with me and I don't know if you meant to say it or I just picked up on it, but you said you know, we go out and we sit with our clients and said it a few times, which, you know, tells me that all of these assessments are just fully customizable, nothing is off the shelf. Everything is

designed you know for that individual client, which I think is good to hear because nothing is really one-size-fits-all anymore. Everyone operates in their own unique situation, their own unique locations, brings in their own family situation so, so that is nice to hear.

Chris, is it fair to say that in the within the workplace violence policies, there are funds allocated via a prevention fund endorsement, where a client can apply some of the premium dollars towards these training and prevention programs to help ensure hopefully we don't have to respond to workplace violence events?

Chris Arehart:

Yes, there are conditions in the policy that allow for an insured to receive a credit back from their policy subject to each state and and its availability for up to 10% of the policy premium to pay for these types of preventative measures and we we find that, unfortunately, not as many as we'd like - we would love 100% of our customers to use them - but there's always room for growth in terms of the the usage on that on that particular benefit.

It can come each year or each policy term. So it's removable, you can come back to it and we have some customers that absolutely take advantage of it. And every time it comes up, there's a new training, there's a new evaluation, there's a new threat assessment, consulting work. It works for prevention and preventative work, not necessarily claims related, so it's our focus is on prevention and improving the robustness and the resiliency of the organization. So that can that can be used in or post violence, but also in our cadet ransom and extortion expense policies.

To gain access to it all, one simply needs is the bills and the evidence that they've been paid by the Ackerman Group – a form that customer can complete, turn it into Marsh, and large can get that processed into a into the policy. It has its roots in the employment practices world, where for many years employment practices underwriters found that we needed to improve controls. We needed to improve handbooks, we needed to just improve the general risk factors of our insureds, so we definitely took a playbook a page from the playbook of the EPL world to bring that into the kidnap, ransom and extortion, as well as workplace violence space.

Alyssa Wade:

Thanks Chris, that's incredibly helpful. I do want to thank everybody in general for tuning in today. I know I certainly learned a lot more about kidnap, ransom, extortion and workplace violence trends along with different ways to prevent and mitigate issues, so I want to thank our speakers, Joshua Ackerman and Joe Deters and Chris Arehart, for the very insightful conversation today.

Please feel free to reach out to me if you have any questions. And thank you again for listening.

Deepak Adappa:

That's all for this episode of the "Navigating Emerging Liability Risks with Marsh FINPRO" podcast miniseries. We hope you enjoyed our discussion and thank you for listening.

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Until next time, thanks again for listening. I'm your host, Deepak Adappa, Marsh's US FINPRO Advisory Leader, signing off.

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