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Kidnap & Ransom



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Two people are kidnapped and held for ransom somewhere in the world every hour, with some US\$1.5 billion in ransoms paid each year. Under-development, strained economic conditions, corruption, armed conflict and extremism are among the key factors behind the increase in kidnapping risk, and in a climate of increasing political unrest, the need to respond to kidnap incidents and extortion demands is intensifying.

Between January 2015 and September 2016, Africa accounted for over 60 per cent of the kidnappings of foreign nationals recorded globally by Constellis, with abductions in Libya and Nigeria the most significant drivers. There remains a high threat of terrorist attacks in Libya, with kidnap against foreign workers, ports, airports and oil and gas installations among the targets. And although generally lower risk environments, an emerging trend toward the targeting of expatriates has also been recorded in Madagascar, Mozambique, and the conflict zones of Central Africa with many cases reportedly linked to attacks by both militant groups as well as security forces. Elsewhere in the region, the Gulf of Guinea is understood to be the current most dangerous area in the world for seafarers. A study carried out by the not-for-profit counter-piracy organisation Oceans Beyond Piracy reported 32 kidnaps for ransom during 2016 in the Gulf of Guinea, surpassing the total number of incidents, 19, recorded by the International Maritime Bureau in 2015.

Stuart Edmonston, head of loss prevention at UK P&I Club, says the drop in oil prices has made oil theft a less lucrative proposition than kidnapping for ransom, and that it is becoming much more sophisticated and prevalent.

Global analysis

✘ Rising political disaffection and disruption across the world is changing the risk landscape. Kidnap & ransom and extortion are a symptom of this change. Deborah Ritchie investigates

“The increase in kidnapping for ransom has not occurred out of the blue,” he insists. “In 2014, 16 per cent of attacks in the area involved kidnap for ransom; in 2015 it was 28 per cent of attacks.” He says there may be two reasons why kidnapping has increased in late 2015 and has continued to increase in 2016. “Improved naval patrolling (by the Nigerian and other littoral navies) may have made cargo theft more difficult and dangerous. Cargo theft, particularly of large amounts of refined oil products, takes time and so criminals have moved to a crime where less time is spent on-board vessels and leaves them less exposed to naval patrols, ie. the kidnap for ransom of ships’ crews.”

Edmonston suggests there may even be signs that the kidnap market is evolving, such that threat actors may be able to target their attacks with greater precision and demand higher ransoms.

A kidnapping incident at sea off Tawi-Tawi in the Philippines – also in October – saw one Filipino and one South Korean national kidnapped from a commercial vessel. The incident follows a string of kidnappings in the area in recent months, and highlights the high-risk travel and operating environment, which exists in coastal areas off the chronically insecure Sulu Archipelago, of which Tawi-Tawi is a part.

Security experts at risk consultancy Red24 expect further similar incidents to take place over the medium-term, and continue to advise against travel to the region.

While the second quarter of this year saw a general slowdown in successful abductions across the Philippines, militant groups have by no means reduced capability or intent, and the kidnapping threat in Asia has notably increased in the last year.

Foreign nationals – the risks

Times have changed since the first kidnap for ransom insurance policy was written in the 1930s. It is estimated that each year there are more than 40,000 kidnappings globally, and over 40 per cent of these are business personnel or their dependents.

Authors of a 2015 Cognizant report, ‘Kidnap and Ransom Insurance: At an Inflection Point’, said they predict the kidnap, ransom and extortion insurance market will grow to US\$12.4 billion by 2019.

Whilst local nationals account for the majority of victims, research from Constellis suggests elevated threat to expatriate personnel has also emerged in recent years, with foreign nationals regarded by threat actors as higher-value targets. In the Americas region alone, the company recorded an increase of 66 per cent in the kidnapping of foreign nationals during the second quarter of 2016, and expect figures for the third quarter to show a continuation of this trend – largely due to the surge in abductions occurring during the Olympic Games in Brazil, alongside a wider political and economic instability-related deterioration in security conditions across Latin America.

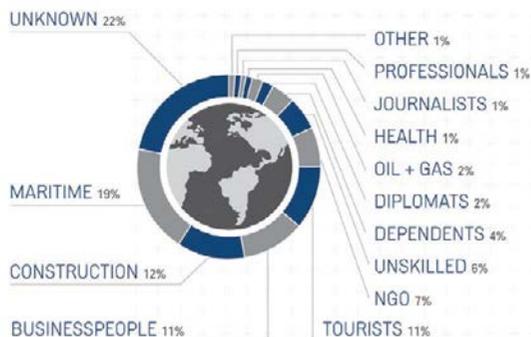
KIDNAPPED FOREIGN CITIZENS

REGIONAL ORIGINS OF VICTIMS



Source: Constellis

VICTIMS BY OCCUPATIONAL SECTOR



Source: Constellis

It is in this region that express kidnapping, where kidnapers demand ransoms in the form of foreign currency and valuables as result of the devaluation of local currencies, is most pervasive.

The MENA region remains an extremely challenging security environment for international organisations, with armed conflict, terrorism, political instability and sectarian tensions continuing to act as an enabler for activity by both transnational militant organisations as well as low level criminal groups. As the primary centres of regional conflict, Syria, Iraq and Yemen continue to pose the highest kidnapping threat, particularly to foreign nationals, given their greater economic and political value.

Working in remote or hostile environments presents businesses with complex challenges when it comes to fulfilling their duties towards protecting staff. Understanding how varied the K&R threat is across the globe is vital for risk managers responsible for global operations.

While Africa, Asia and South America are prevalent hotspots, Europe as a whole remains a low

threat environment for K&R activity, though an underlying threat of Islamist-inspired violence, including the abduction of western nationals remains in place.

A number of notable cases continued to be reported over the course of Q2 and Q3 in Europe. In many cases, abductions have been linked to pre-existing criminal connections of the victims.

“In any K&R situation the issues and risks are both complex and interwoven and few details are ever made public,” explains Sarah Dennis, head of international risks at The Health Insurance Group. “As foreign oil, mining and security firms have expanded into new territories the risks to westerners working abroad have increased in recent years. This has fuelled a new breed of terrorist that use kidnapping foreigners as a chief means of fundraising.”

Victims of kidnapping currently remain highest in the maritime, construction and corporate sectors, followed by tourists, NGOs, diplomats and oil and gas personnel.

Capturing the headlines

Changing requirements for kidnap

and ransom cover has led to more expansive policy wordings and additional features such as security training for companies and staff. Covers have also evolved with the emergence of cyber extortion as a very real and significant threat.

Distributed Denial of Service (DDoS) attacks exploiting the Internet of Things (IoT) are among the cyber intrusions most frequently seen in the headlines, but, according to AIG, cyber claims statistics from the period between 2013 and September 2016 show cyber extortion and ransomware as the fastest growing cybercrimes. It says for those affected by ransomware or Denial of Service attacks, business interruption costs are highest during peak trading periods. Half of respondents to one recent survey revealed they could lose over US\$100,000 an hour during critical periods.

As organisations continue to operate throughout this period of sustained global unrest and political uncertainty, the traditional threats persist; and at once they are evolving to reach a new level of risk – demanding deeper thought when it comes to mitigation.

Kidnap and ransom insurance has for many years been a must for those working in high-risk locations and high profile industries such as construction and oil and gas. But now, technological advances in cyber crime and a series of tragic terrorist attacks in Europe are forcing the insurance industry to develop innovative new products for corporate clients that want to protect their employees closer to home.

When I started writing K&R cover over 20 years ago, the cover offered under a policy was much less sophisticated, and was focused around the kidnap risk faced by families and corporations in Latin America. Today, Latin American business is still a significant part our client base, but the majority of our insureds are now corporate clients operating on every continent.

Today, K&R cover has evolved to cater for many other types of incident and offers an integral part of any corporate's enhanced duty of care to their employees, particularly when they are at work or travelling on business. Many people think of this type of insurance as just 'ransom protection', but today's policy covers so much more than that – going further than covering kidnap alone,

Kidnap and ransom: new demands

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but with Travelers, also the risk of illegal detention, traditional extortion, and more recently, cyber extortion.

The breadth of cover is also much greater than many realise, with not only cover for ransom reimbursement and response consultants' fees and expenses; but also for lost or theft of the ransom in transit. A number of additional expenses, such as medical expenses, travel and accommodation, salaries of the victims, salaries of replacement employees are also covered.

Changing times

As cyber-crime increases and lone wolf terrorist attacks continue, companies have realised that these incidents, and crucially their reaction to them, can have huge ramifications on their reputation. We, as an insurer, along with our exclusive crisis

response partner Constellis can help our clients to be prepared, provide support and help them navigate the legal, political and reputational issues these situations conjure, as well as providing indemnification for the financial costs involved.

The law is also shifting to reflect this new climate. Under the UK Health and Safety at Work Act, employers have a statutory duty to take all reasonably practicable measures to protect workers from risks to their safety and health while at work. This legislation also applies to overseas companies with a workforce in the UK, so these types of legal changes are increasingly relevant as more companies become multinational, and, as emphasised in the recent horrific attacks in France, Belgium and more recently, Germany, such incidents are no longer confined to the traditional high-risk locations; a colleague who travels for a meeting in one of your own offices could experience such misfortune.

The 2015 Global Mobility Survey (carried out among over 160 multinational organisations by BGRS) found that more than half of those surveyed have experienced an incident at some point where an individual's health and safety on a global assignment was affected.

Russia, China and Brazil are some of the most lucrative emerging markets in the world, while also being considered within the top 20 most



high-risk countries for kidnap and ransom. It is inevitable that companies will see more opportunity in these areas than risks, and we understand that limiting the global landscape we now all operate in seems impossible and undesirable.

Travelers can help to mitigate the risks of travel and overseas exposure. We use vast amounts of data to create new innovative products, which include access to Constellis, the leading provider of risk management and operational support services to governments (including the US and UK government) and commercial clients worldwide as well as cover for events that are now part of any company's risk register. In April 2016, the Travelers Kidnap & Ransom team launched the Security Resource & Response product. SR&R increases our standard covered incidents from the original 5 to 33 to include such events as act of terrorism, insurrection, stalking, blackmail, competitor misconduct, rebellion, for example. Behind this product was our increasing perception of our clients' need to access reliable crisis response in a time of ever broadening risk exposure. Constellis has over 8,000 staff in its global network. Not only do our clients get access to their experienced negotiators and on-the-ground teams, but they also have access to a range of support services including a team of psychologists who can psychoanalyse a potential stalker; aftercare in a traumatic event; crisis PR experts who can advise on how to deal with the media and make sure the service extends to families of employees; legal and political advisers all over the world; and white hat hackers to protect against breaches and ensure ransomware is removed from your systems.

Our new SR&R product not only recognises that our world is changing,

and with that the expectation on employers to protect their employees, it is also a development in our understanding as insurers and crisis response consultants that technology is advancing to create more opportunities for criminals to operate across industries and locations. Malware and ransomware can cost businesses millions and affect everyone involved in the supply chain, from the CEO to customers. The latest report by Ponemon Institute on the 2016 cost of cyber crime found that the average annual losses to companies worldwide for a cyber breach now exceeds US\$9.5 million, an increase of 23 per cent from 2015. These threats have exposed many industries from large multinationals to small local companies. We have seen more cyber related incidents in the last two years than I have in the previous twenty years of my career, and this is without a trend in countries or industry that could be considered more exposed; it is a completely borderless crime that we are all exposed to.

In 2014 Constellis invested in a cyber team. This team of cyber experts provide 24 hour assistance to clients in the event of a cyber-breach. They can also provide penetration testing as part of the preventative training, and we allow a proportion of the premium to go towards the cost of this. This involves, with your permission, stress testing of your systems to see if you have any gaps in your security which can be resolved before a cyber breach occurs.

Preventative training is something we urge all our clients to do. It can be anything from cyber hacking to scenario planning for a massive crisis or political evacuation. Constellis can run workshops tailored to your individual needs; from a terrorist attack in central London to how to

manage your social media in the event of an active shooter attack.

Unfortunately, many clients will only take up this opportunity after an event or breach has happened; but advance planning and training can ensure your employees are aware of the risks and are trained in how to react in such incidents, which could be a lifesaver. We want to be viewed as an enabler for business and so we look at ways to allow clients to get their people to their destination of choice even if it is a high-risk location.

In the future, we hope that K&R cover for a business will be as natural as buying professional indemnity insurance or property and contents insurance. In the increasingly global market we all operate in, companies have to consider the duty of care they have for their employees more so than ever. With a Travelers Kidnap & Ransom policy you get more than just insurance; you get access to a world leading crisis response team and the knowledge and expertise vital to help you foresee and manage your risk, and to deal with the many facets of an incident if it occurs.



Bruno Schuoler is global head of Special Risks at Travelers

Travelers Kidnap & Ransom insurance

For a team that understands the intricacies of danger, but doesn't let danger get in the way of protection.

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