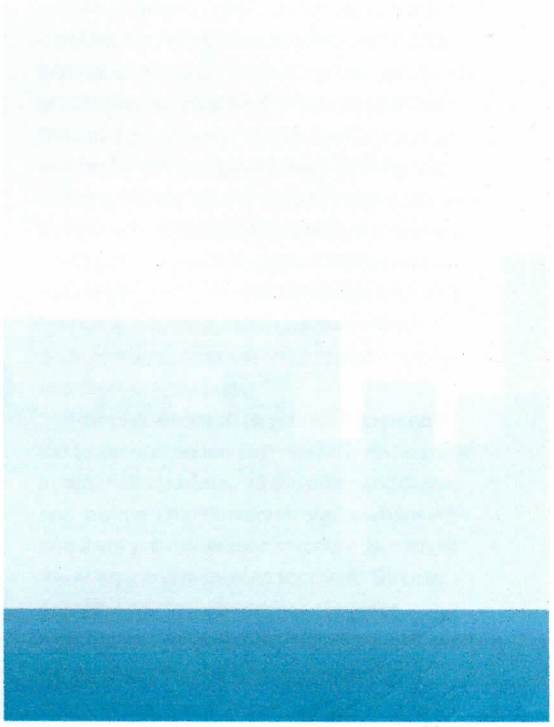
Insuring the unthinkable

As cases of kidnapping and ransom increase globally, more and more Canadians are seeking dedicated coverage to protect themselves, their children and their employees



THE TRAGIC killing of Canadians Robert Hall and John Ridsdel by Islamic extremists in the Philippines was shocking in its brutality. Both men were kidnapped and held for ransom by the Abu Sayyaf group before ultimately being beheaded when their demands were not met. After Hall's body was recovered, Prime Minister Justin Trudeau called on other nations not to pay ransoms if their citizens are abducted in order to discourage militants from carrying out more ransom kidnappings.

It's a real concern for the many Canadian companies that have employees working in countries where the threat of kidnapping is ever present. Oil-producing Libya accounts for more kidnappings of foreign citizens than all other nations combined, but Iraq, Nigeria, Somalia, Mexico and the Philippines present similar dangers. Any company that does business in these countries should be prepared for all eventualities. That means being properly covered by insurance; accordingly, kidnap & ransom policies are growing in popularity.

A recent conference held by Hunter McCorquodale and security firm The Olive Group in Toronto highlighted the importance of such coverage. Sophie Strezos-Egnatis, vice-president of business development at Hunter McCorquodale, outlined the background of kidnap & ransom policies.

"The first kidnap policy was written by Lloyd's in 1932 following the highly publicized kidnapping and murder of Charles Lindbergh's infant son," she says. "Back then, it was considered a luxury product, but there were more incidents in the '60s and '70s, particularly in Italy with some banking executives' wives. It spiked again in popularity during the Somali pirate crisis in 2008."

The tragic cases of Hall and Ridsdel show that the threat of kidnapping is as strong as ever, so companies clearly have a duty of care for their employees. In fact, it is enshrined in law: Bill C-45, better known as the Westray Bill, came into effect after the 1992 Westray coal mining disaster in Nova Scotia, when lax safety measures led to a methane gas explosion that killed 26 miners. The law requires companies to put their employees' safety first, whether they are working in Canada or abroad.

Hunter McCorquodale began offering special contingency insurance, more commonly known as kidnap & ransom insurance, in 2011, but Strezos-Egnatis has been supplying this type of product to insurance advisors since 1993.

"In the early years, buyers were predominantly corporate entities with international travel exposure or with expatriate employees in high-risk countries," she says. "Today, the range of buyers is much broader."

> "The real value of insured coverage is knowing how to deal with various perpetrators even when ransoms cannot be paid due to terrorism legislation" Sophie Strezos-Egnatis, Hunter McCorquodale

Reflecting a more globalized world, those seeking protection today aren't just limited to large conglomerates with huge budgets. Canadians, and particularly younger Canadians, are known for their love of travel, and this is reflected by a growing segment of Hunter

MOST DANGEROUS COUNTRIES FOR KIPNAPPING

Libya: With 51% of the world's total kidnapping incidents, Libya is far and away the most dangerous country for foreign citizens. The rise of ISIS in the country has led to a spike in kidnappings; primary targets are diplomats and expatriate workers. Militant groups continue to use kidnapping as a means of raising funds and obtaining political concessions.

Iraq: The war-torn nation has 5% of the global kidnapping total. The threat remains high as Iraqi security personnel were redeployed to fight anti-government forces. This has led to an increase in criminality in the country's large cities.

Nigeria: Africa's largest oil producer accounts for 5% of the world's total kidnappings. It is believed that plunging oil prices have led to a tactical shift by pirates in the nation as they replace oil theft with kidnapping foreign nationals to hold for ransom.

Somalia: Due to a raft of highly publicized cases, Somalia has a bad reputation for kidnapping. However, efforts by international security forces to combat the threat have brought about significant decreases in piracy since the highs of the previous decade.

Source: The Olive Group Kidnap & Ransom Insight Report, April 2016

McCorquodale's client base.

"Beginning on the low end, we have many middle-income families purchasing short-term coverage for young adult children who travelled internationally upon completing their education or accepted employment in foreign countries," Strezos-Egnatis says. "We've insured a young woman teaching English in Asia, a young man trekking in Central America and a pop-culture blogger who embedded himself in a small town in Mexico. The parents were concerned about their safety and purchased coverage, including specialized endorsements such as mysterious disappearance, hostage crisis, threat response and express kidnapping."

However, the main target market remains the larger companies that regularly do business in high-risk countries. "At the other end of the spectrum are multi-national organizations with employees and operations worldwide, many in the energy and resources segment," Strezos-Egnatis says. "In between this range lies high-net-worth families with international travel exposure or SMEs and NGOs sending employees or volunteers into high-risk areas."

Central to these policies is partnership with the right people who can act swiftly if and when a crisis occurs, such as The Olive Group.

"The most important feature of an insured plan is priority access to a dedicated crisis management team," Strezos-Egnatis says. "Such teams provide an immediate 'hand-holder' at an incident site, then deploy a trained crisis manager within 24 hours to assemble and train a negotiation team and provide in-depth analysis and assessments to support critical decision-making."

While the use of such specialists certainly doesn't come cheap, their worth is clear, Strezos-Egnatis points out.

"Evidence suggests that in situations where the advice of a professional crisis management specialist was available, the hostage was released safely in 90% or more of cases," she says. "This is the real value of insured coverage – knowing how to deal with various perpetrators even when ransoms cannot be paid due to terrorism legislation." LHP