

Kidnap and ransom in insurance terms

ANDREW MUNRO,
MD of Praesidio Risk Managers

Ask any South African to define the term “kidnap and ransom” and you’re likely to hear a Hollywood skop-skiets-and-donner style story, something like ... A convoy of black SUVs is accosted by a bunch of whooping rebels dressed in army fatigues and bandanas, brandishing assault rifles and standing up on the backs of open Jeeps. The ambassador is forced out of her SUV at gunpoint; the rebels put a bag over her head, shoot all the tyres in the convoy and head off for a condemned warehouse on the outskirts of the city.

“We do not negotiate,” is the stance taken by the government – and so Liam Neeson has to be brought out of retirement (again!) to swoop in and save the day.

In insurance terms, however, kidnap and ransom is a much broader context. Kidnap and ransom insurance does include cover against the risks of physical kidnapping, but there’s much more to it than that. And it’s not only ambassadors who are at risk. Over and above hostage-type situations, a typical kidnap and ransom policy would also include events like home invasion, wrongful detention, cyber extortion and ransomware, product extortion, response consultants’ fees and legal liability. Policies can be extended to include stalking, assault, emergency political repatriation, business interruption (loss of earnings and cyber extortion), as well as product loss and recall.

For example, if a food manufacturing company receives a threat that a batch of baby formula has been poisoned and the details of such will only be given on

payment of a ransom, the kidnap and ransom policy would kick in to cover the costs of professional crisis response consultants, the ransom, communicating with stakeholders, recalling the product from the distribution network, restocking retailers’ shelves, loss of earnings incurred as a result of the threat, and the cost of any legal liability that may arise.

But it’s not just companies who are at risk. Incidents of individual kidnap for ransom are on the rise around the world.

High net worth individuals and their families are particularly at risk, especially when travelling abroad. As South Africans we tend to think we’re street savvy – but anyone in an unfamiliar environment is at risk, no matter how aware you think you are. In any country, even here in SA, there are people who are looking to make a political statement or get some extra cash in their coffers. No one should think they’re immune.



One of the most important components of kidnap and ransom insurance is response consultancy.

Handling negotiations with kidnapers is a delicate process. If you agree to their terms too easily, you could be considered a soft target. If you refuse to negotiate, the risk of losing your colleague or loved one is very high. There are people who specialise in hostage negotiation – they know when to make a deal and when to give in. It’s a very delicate process with far too much at stake to try and handle it yourself.

We advise all brokers with business and high net worth clients on their books to discuss kidnap and ransom insurance with these clients and do an assessment of their needs.

Kidnap and ransom seems like a very far-fetched concept to most people, but in reality we are far more at risk than we realise.