

# News Release

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## THE WILLIS COMMENTARY ON...

### **KIDNAP & RANSOM: UNDERSTANDING THE REASONS CHANGING THE RESULTS**

**New York, NY, June 29, 2004** – Headline-grabbing kidnappings are on the rise, particularly among militant Islamic groups against citizens of the West. The challenge for Western companies with employees in volatile environments (and for non-Western companies perceived to be working with the West) is how to protect themselves and their employees from this risk. Kidnap & Ransom (K&R) insurance is increasingly expensive but still readily obtainable. With proper pre-incident risk management analyses, threat assessment and training, the right K&R program can not only protect against the multifaceted exposures that come with kidnappings, but also will reduce the likelihood of incidents in the first place and help ensure the best possible response is made should a kidnapping occur.

Kidnapping is a weapon of asymmetric warfare for enemies of the Western powers for several reasons: it generates strong public reaction, it costs little and it is difficult to defend against by traditional military means, especially as targets expand to include any foreigner in the vicinity – regardless of economic status, business role, gender or age. Protecting every employee of a Western organization working in a non-Western country, even if promised by security subcontractors (who themselves are prime targets), is obviously impossible.

Targeting of Westerners is also used as a basis for attacking West-leaning governments in the Middle East and other areas, and is effective in at least two ways. First, many of the Westerners involved are working on business projects in collaboration with local governments. Second, kidnappings hurt the tourism industry. Given these unfortunate incentives, kidnapping is spreading from the immediate conflict zones (Iraq, Afghanistan and now, Saudi Arabia) to places such as Indonesia, the Philippines, Northern Africa and other areas with significant Islamic populations. Risks associated with travel can be expected to persist for decades.

Prices for K&R coverage in high-risk conflict areas have increased substantially over the past year. Coverage is available, but carriers are tightening terms and conditions, and demanding much more information from insureds, such as detailed listings of who is traveling, their destinations and travel dates. Specific travel routes and times may also be requested.

Rather than undercutting the value of K&R insurance, the current situation underscores it. A complete K&R program does more than offer financial coverage for ransom payments. Insurers usually partner with incident response companies – experts whose specialty is handling the crucial interaction with kidnappers. Policies can include Business Interruption coverage, which can be especially important if project leaders or other key figures are involved. Coverage for suits brought against the company by family members of kidnap victims can also be included. Training in techniques to prevent kidnappings is another crucial part of an effective K&R program.

Not all programs are alike. Differences in incident response companies are especially striking. Companies usually specialize in a geographic region, and a company with expertise in Latin America (which still has the largest number of K&R incidents) may have little experience to bring to bear in an incident in Iraq. In choosing a carrier, it is necessary to closely scrutinize the incident response companies that partner – often exclusively – with the carriers. The same stringent and thorough due diligence processes that an entity applies to mergers & acquisitions and other business practices must be brought to this selection process.

A global economy demands global operations – it is unlikely that Western corporations will “pull up the drawbridge” and stay home for the duration. But organizations doing business in foreign lands should recognize that K&R risks are on the rise. They should thoroughly and carefully examine the details of K&R coverage offerings, and find a risk management partner who can assist them in addressing the situation in such a way that both human and capital assets remain as safe as possible.

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