

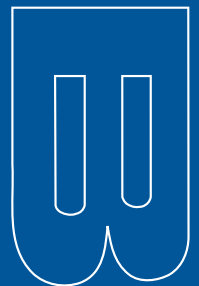
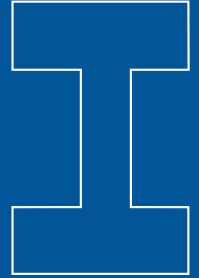
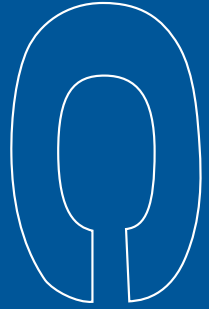


# Managing Terrorism Risks

*A Practical Guide*



The Ackerman Group, LLC  
International Security Consultants





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**MANAGING TERRORISM RISKS**

**A PRACTICAL GUIDE**

Prepared by

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*Mike Ackerman*  
*The Ackerman Group, LLC*

*For The Chubb Group of Insurance Companies*

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## INTRODUCTION

Protecting employees and corporate assets is the responsibility of operating managers throughout any corporation. In most organizations, few people are fully cognizant of exposures such as kidnapping and extortion. But terrorism, crime, and political instability risks are facts of life, and corporate leaders must deal with them in transacting business in our increasingly global economy.

As leading providers of kidnap/ransom and extortion insurance, the member insurers of the Chubb Group of Insurance Companies believe the best risk management strategy combines several techniques, including quality insurance coverage, sound risk management procedures and protocols, and expert advice.

Chubb commissioned Mike Ackerman, managing director of The Ackerman Group, LLC, one of the world's preeminent security consulting firms, to prepare this booklet in order to help corporations begin the process of developing a risk management plan to address kidnapping and extortion risks.

We at Chubb hope this booklet begins the process of educating and raising the awareness of corporations about the risks of kidnapping and extortion. Although this booklet provides general guidance on risk management issues, no booklet can be a substitute for expert advice. Experienced professionals should be consulted for advice on dealing with specific security issues and on developing and implementing a risk management program. We strongly encourage you to seek competent counsel.

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## RISK ANALYSIS

*You are the CEO of a multinational services company. As you prepare to leave your office one evening, you receive an urgent call from the head of your Mexican subsidiary. Two valued Mexican employees of the subsidiary have been abducted near Mexico City. The kidnapers are threatening to kill the men unless a ransom of \$200,000, in local currency, is paid within 72 hours. What is your first move?*

The scenario just described is based on actual events. The CEO immediately called in professional negotiators who succeeded in negotiating the ransom payment to less than \$25,000, then undertook the ransom delivery and were able to secure the employees' safe return within days. Events like these, fueled by terrorists and criminal gangs, are becoming commonplace in many areas of the world. As unpleasant as the reality may be, preparing for the possibility of attacks on employees has become a fact of life for multinational companies. A challenge? Yes. Insurmountable? No. Despite the seemingly irrational nature of terrorism, there are rational approaches to dealing with the risks it generates.

The first step is to become knowledgeable about the nature and level of risks in areas in which your company operates or expects its employees to conduct business.

We are in the midst of a period of unprecedented global economic integration. But the new century also has seen a dramatic increase in terrorism, criminality, and political instability. Ransom kidnapping, which in the last century was mainly confined to Latin America, has spread to other parts of the world: Africa, South Asia, Russia, and the Middle East. Companies worldwide are extorted and their personnel are threatened. Global jihadists stage terrorist attacks against Western interests. For multinational corporations, enormous business opportunities are tempered by appreciable risks.

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Of particular concern to multinationals at the time of this writing are:

- Leftist guerrillas who kidnap foreign corporate employees in rural Colombia and in neighboring Ecuador and Venezuela.
- Criminal gangs that target executives in Mexico, Guatemala, El Salvador, Honduras, Haiti, Brazil, and elsewhere in Latin America.
- Tribal gangs that attack multinationals and kidnap their personnel in Nigeria's oil-rich Niger Delta.
- Aggressive, organized-crime groups that run protection rackets in Russia, other parts of the former Soviet Union, and eastern Europe.
- Vendors, distributors, and joint-venture partners who threaten and even employ violence to resolve business disputes in Russia, China, and other countries with primitive judicial systems.
- Islamic zealots who target foreigners and foreign business interests as part of their jihad.

Fortunately for corporate decision makers obliged to deal with such threats, they are by no means random. Indeed, most violence-prone groups operate in a reasonably predictable manner, which makes it possible to assess risks with a fair degree of accuracy. The Ackerman Group's widely used RISKNET™ service, which analyzes terrorism- and political-stability-related developments in 100 countries on a continuing basis, is available via the Internet to Chubb Kidnap/Ransom and Extortion Insurance policyholders.

In short, terrorism, crime, and political instability remain facts of life for companies operating abroad. Well-managed corporations respond by (1) carefully analyzing risks and weighing them against potential rewards of a particular project; (2) fully informing employees of the hazards they face; (3) supplying the wherewithal to enhance their safety through training, technical means such as armored cars and, in some cases, protective details; and (4) planning the company's response in the event of a kidnapping or an extortion.

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## A CRISIS MANAGEMENT PLAN

*The Warsaw offices of a multinational bank are visited by two thuggish-looking men who inform the administrative manager that they are private detectives. They show the manager a partial list of customer accounts that an underworld contact has offered to sell them and express confidence that they can discover the source of the leak. They request a \$100,000 retainer to conduct their investigation and say they will return in 72 hours to obtain the company's response. The manager contacts the corporate security director in the United States, and he in turn briefs the company's security consultant. The consultant warns against acceding to the "detectives" and recommends the aggressive pursuit of the case. An internal investigation reveals the source of the leak, and the lead is turned over by the consultants to police contacts, who are waiting for the "detectives" when they return. They are arrested, as is the employee who has provided them the account information. Police confiscate the CDs containing confidential customer information, avoiding embarrassment to the company.*

The first step in the crisis management process is the development of a plan to ensure an efficient response to a kidnapping or an extortion. The company's core crisis management team should consist of at least three individuals:

- The ultimate decision maker—the CEO or his or her designee;
- The coordinator, often the corporate security director, risk manager, or chief of international operations; and
- The general counsel.

The team also might include:

- A finance officer (to arrange for the ransom);
- A human resources specialist (to oversee the care of a hostage's family); and
- A public relations specialist (to handle press inquiries).

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Crisis management teams usually work in tandem with specialized firms such as The Ackerman Group, which are prepared to execute the recovery of a kidnap victim or the response to an extortion under the team's direction. In a hostage recovery, specialists should be ready to recommend and implement a negotiating strategy, interface with authorities, counsel and comfort the victim's family, protect the ransom funds, and undertake, or at least supervise, the ransom's delivery.

Even the best plans are useless if managers aren't aware of the plans' existence or of their particular individual roles and responsibilities in the event of a crisis. Key executives must be made familiar with the process of recovering kidnap victims and managing extortion threats, from the development of an effective corporate notification process, to negotiating strategies, to difficulties in dealing with local police services. Ideally, this training should be undertaken by the same specialists who will execute the crisis management plan. Training need not be painfully detailed—a few hours should suffice—but it will help get the recovery or extortion resolution off to an all-important smooth start.

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## MANAGING A CRISIS

The successful resolution of a crisis requires the cooperative efforts of the field manager facing the emergency, the company's crisis management team, and the company's professional consultant. All need to act swiftly and with a clear understanding of the procedures that need to be followed.

### **Kidnapping**

*The general manager of a multinational company's Brazil headquarters is abducted while driving home in Sao Paulo. The company notifies law enforcement authorities, who agree to undertake the negotiation on the company's behalf but offer such nominal amounts against the \$5 million demand that the negotiations go nowhere. After weeks of frustration, the company calls in a negotiating consultant, who manages to persuade the authorities to transfer responsibility for the negotiation to him and permit him to make a more substantial offer. The negotiations still are arduous but, after ten more weeks, a ransom of \$300,000 is paid and the hostage is released.*

The first hours following a kidnapping are critical to a successful resolution. Actions taken, such as the notification of a particular police agency, cannot be undone. Decisions should be made not by a field manager but by core members of the crisis management team in consultation with a specialized firm like The Ackerman Group.

The field manager should contact a member of the crisis management team immediately upon learning of an emergency and provide all known details about the circumstances of the abduction, the medical condition of the hostage, and any communications from the kidnapers. He or she should not take independent actions, such as notifying the police.

The crisis management team member receiving the field manager's call should:

- Ask the field manager (or other senior representative) to provide these specifics.

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- Tell the field manager to wait for further instructions from the crisis management team as to which law enforcement agency to report the incident. (In many countries several law-enforcement agencies can claim jurisdiction over a kidnapping. To maximize the chances of the hostage's safe release, it is essential that the report be made—and the case given—to the most capable component of the most professional agency. The decision as to where to report the kidnapping generally will be a top priority of the crisis management team, which normally will seek the advice of specialized consultants.)
  - Instruct the field manager not to talk to the press.
  - Tell the field manager to prepare appropriate staff members to receive communications, written or by telephone, from the kidnapers, with phone calls to be recorded if at all possible. Call recipients should merely listen to the demands and ask the kidnapers to call back. They should not attempt to negotiate.
  - Tell the field manager to look after the immediate needs of the hostage's family.
  - Tell the field manager to stand by for further instructions from the crisis management team.
  - Notify a specialized firm like The Ackerman Group. The Ackerman Group is available around the clock and can be contacted directly at 888.865.0075. If calling from abroad, phone 305.865.0072. When calling, identify your corporation as a Chubb insured.

The Ackerman Group is prepared to handle virtually all aspects of the recovery process, including negotiating directly with the kidnapers, dealing with the police, and converting, protecting, and even delivering ransom funds. At the same time, it encourages close supervision of its activities by the corporate crisis management team and understands that key decisions must be made by the corporation.

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Because any public discussion of negotiating strategies is counterproductive, that subject will not be addressed in this guide. Suffice to say that those who kidnap corporate employees do so mainly for financial reasons, that the primary objective of most corporations is to obtain the safe release of the hostage in the least possible time, and that most corporations are willing to pay a ransom to this end.

At the same time, most multinational corporations recognize a responsibility to pay as little as possible to the kidnapers, be they terrorist or criminal, and certainly no more than is customarily paid for a hostage in the country in question. Police services are adamant that corporations pay as little as possible. They rightfully recoil at the very thought of rewarding evildoers and, in the case of guerrillas, are especially sensitive about companies, in effect, financing revolution.

In all cases, the police will expect the victim's company to cooperate in post-release efforts to apprehend the kidnapers, a course of action endorsed by The Ackerman Group.

## **Extortion**

*Fired for poor performance from a company in the southeastern United States, an exiting employee with a history of violent behavior threatened bodily injury to his about-to-be-former employer if a \$100,000 "termination bonus" was not forthcoming. This verbal threat was followed by a series of threatening letters and stalking of the company's president. Security consultants were quickly called in to provide security for the president and to deal with the extortionist. A meeting was arranged between the ex-employee and a consultant, with two former state police officers in attendance. The man was informed of the seriousness of his threats and their legal ramifications. As a result of the meeting, the ex-employee agreed to accept his normal termination pay and stop his threats and harassment.*

Companies are more likely to fall victim to personal-injury or asset-damage extortions (wherein recompense is demanded for not harming a person or an asset, such as a computer database) than to kidnappings. One advantage

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in extortion cases is that the person or asset threatened is under corporate control and steps normally may be taken to protect the person or asset. In the case of either personal-injury or asset-damage extortion demands, the field manager should:

- Contact the crisis management team coordinator (or his or her designee on the corporate security staff) immediately upon receiving the demand.
- Provide all known details about the contents of the communication. The member of the crisis management team receiving the call should tell the field manager:
  - Not to report the incident to law-enforcement authorities until instructed to do so and to say nothing to the press.
  - To stand by for further instructions from the crisis management team.

The crisis management team should:

- Notify a specialized firm like The Ackerman Group. The Ackerman Group is available around the clock and can be contacted directly at 888.865.0075. If calling from abroad, phone 305.865.0072. When calling, identify your corporation as a Chubb insured.
- Determine the validity of the extortion threat in consultation with specialized consultants and/or police agencies. All extortion demands should be reviewed by knowledgeable professionals, who normally are able to assist in differentiating serious extortion attempts from “fishing expeditions,” in which would-be extortionists send out numerous demand letters in the hope of getting one or two “bites.”
- Take immediate steps to ensure the safety of the threatened individual or asset, if it is determined that the threat to personnel or property is genuine.

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- Seek the assistance of local police services in the hope of apprehending the extortionist and ending the problem. Again, in dealing with local police services, it is important to select the most capable component of the most professional agency.

**Product-Contamination Extortions**—wherein a perpetrator threatens to poison a food, a personal-hygiene product, or an over-the-counter drug product unless a sum of money is paid—are especially difficult to handle because they threaten not only corporate assets but also public safety. But, in essence, they are managed similarly to other extortion attempts.

### **Political Crisis**

*The corporate security director of a major U.S. pharmaceutical company receives a call from the general manager of his distribution office in an unstable African country. There has been a military coup, and gunfire has been heard on the streets. The security director calls his security consultant, who advises that expatriate personnel be instructed to remain indoors until the situation stabilizes, at which time he will attempt, through local contacts, to arrange for their safe evacuation. The expatriates remain indoors for 72 hours, by which time the crisis has cooled, and they are driven overland to a neighboring country.*

The best way to deal with a political crisis is to foresee it and evacuate personnel on regular commercial flights. One of the objectives of the RISKNET service is to provide early warning of this sort.

Unfortunately, however, some crises—coups among them—usually cannot be foreseen. When they arise, some managers react by trying to evacuate personnel immediately, which may place them in harm's way. Airports usually close down and roads may be manned by nervous, trigger-happy troops.

In most circumstances it is best to tell expatriate personnel to stay put indoors until the initial crisis passes and a safe evacuation can be arranged.

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## AVOIDING A CRISIS

Although responsible multinational companies will prepare for the worst possible scenario, the primary objective of any strategy for dealing with terrorism, crime, and political-instability risks is avoidance. Employees should be fully informed of the hazards they face in particular assignments and be provided with training and technology that will help them protect themselves from those hazards. Students of terrorism are struck time and again by terrorists' propensity to sniff out and attack easier targets. Defensive programs cannot guarantee immunity from terrorism, but their absence over a prolonged period of time in a high-risk area almost always ensures trouble.

Training should involve employees and, when appropriate, family members. It may require no more than a few hours, surely no more than several days, to make an executive or a technician a more difficult kidnap target—not only more elusive but also sensitive to the danger signals that often precede kidnappings and other assaults. As a last line of defense, it also is possible to train those who may be taken hostage to conduct themselves in ways that maximize their chances for survival while under hostile control.

Those who travel often and to perilous areas may need to attend a seminar on travel security; persons who reside in high-risk areas may require in-depth training, to include protective-driving instruction, as well as review by security professionals of their homes, offices, and patterns of movement. On the basis of such a review, a security specialist will prescribe appropriate defensive measures.

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## **ABOUT THE ACKERMAN GROUP, LLC**

The Ackerman Group is one of the world's premier consulting organizations in the field of corporate-related terrorism. It provides risk forecasting, security training, security design, and investigative services to some 65 of America's top 100 multinationals, as well as to their counterparts in Europe and Japan, and stands ready at a moment's notice to assist them in dealing with a broad range of emergencies, including kidnappings, extortions, threats to personnel, and evacuations. Its senior consulting staff, based in Miami, New York, Salt Lake City, Sao Paulo, Dublin, and Hong Kong is complemented by a worldwide network of trusted associates.

The Ackerman Group's risk forecast service analyzes terrorism and political stability risks in 100 countries. RISKNET electronic reporting is accessible worldwide on a 24-hour basis and is updated throughout the business day. It is complemented by printed, in-depth country forecasts. The member insurers of the Chubb Group of Insurance Companies have retained The Ackerman Group since 1978 to be immediately available to its Kidnap/Ransom and Extortion Insurance policyholders. The firm's 24-hour telephone number is 888.865.0075. If calling from abroad, phone 305.865.0072.

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## ABOUT THE AUTHOR

E. C. “Mike” Ackerman is one of America’s leading authorities on terrorism and has special expertise in recovering kidnap victims and resolving extortion. He has lectured on negotiating strategies to the faculty of the Harvard Project on Negotiations and on crisis management and related subjects at the Harvard Business School and Dartmouth’s Amos Tuck School of Business Administration. He also has appeared before the crisis management teams of more than 100 multinational corporations and appears frequently as a commentator on terrorism for FoxNews. He is the author of *The Ackerman Principles: Counterterrorism Strategies for Corporate Decision Makers* (Prometheus) and *Counterterrorism Strategies for Corporations* (Prometheus).

Ackerman served in the CIA’s Clandestine Services for 11 years before resigning in 1975. While in the CIA he worked in some 20 European, Latin American, and African countries. A *magna cum laude* graduate of Dartmouth College and the holder of an M.A. from Columbia University, he was a security officer in the U.S. Air Force Strategic Air Command.









**Chubb Group of Insurance Companies**

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