



CHUBB®

Managing Terrorism Risks



The best risk management strategy combines quality insurance coverage with sound risk management procedures and expert advice.

Protecting employees and assets is a prime responsibility of operating managers throughout any corporation.

Overburdened decision-makers may not be able to keep current on security-related exposures. But terrorism, crime, and political stability risks are facts of life, and corporate leaders must deal with them when transacting business in our globalized world.

As leading providers of Kidnap, Ransom, and Extortion insurance, Chubb believes the best risk management strategy combines quality insurance coverage with sound risk management procedures and expert advice.

Chubb commissioned Mike Ackerman, Chairman of The Ackerman Group, LLC, one of the world's preeminent security response firms, to prepare this booklet to help managers develop plans to address kidnapping and extortion risks. We hope this booklet helps you raise your awareness of risks of kidnapping, extortion and other security-related problems. Our objective is to provide you with general guidance on risk management issues; however, no booklet can be a substitute for expert advice focused on the needs of a particular company. We strongly encourage you to seek competent counsel in developing and implementing your risk management program.

Dealing with Risks

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

We are in the midst of a period of unprecedented global economic integration. But there has also been a dramatic increase in terrorism, criminality and political instability. Ransom kidnapping takes place worldwide, although the level of risk varies from country to country. Companies also face extortion risks and other threats to personnel.

For corporations, enormous business opportunities can be tempered by such appreciable risks. Fortunately for corporate decisionmakers, risks 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 and to develop countermeasures.

The Ackerman Group's RISKNET® service analyzes terrorism, crime and political stability-related developments in 100 countries on a continuing basis and provides pertinent security advice. All Chubb Kidnap, Ransom, and Extortion policyholders receive complimentary access to this service.

Well-managed corporations carefully analyze risks and weigh them against the potential rewards of a particular project. They enhance the safety of employees through training, which is the most cost-effective means of risk mitigation and, where indicated, provide protective details. They also develop plans for responding to kidnappings, extortions and other threats and prepare decisionmakers to confront the issues they will face in the event of an incident.

Developing a Crisis Management Plan

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

- The ultimate decision maker — i.e., the CEO or his or her designee

- The coordinator — the corporate security director, risk manager or chief of international operations
- The general counsel

The team might also include:

- A finance officer, to arrange for the ransom in a kidnapping or extortion
- A human resources specialist, to oversee the care of a hostage's family
- A public relations specialist, to handle press inquiries

It is also advisable to identify and train an alternate for each position.

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 or other threat under the crisis management team's direction.

In a hostage recovery, responders 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 delivery.

But even the best plans are useless if managers aren't aware of the plans' existence or of their individual roles and responsibilities in the event of a crisis. Key executives should be made familiar with the process of recovering kidnap victims and managing extortions and other threats; this includes developing an effective corporate notification process, negotiating strategies and understanding potential difficulties in dealing with local police services. The training process should also include crisis simulations.

Ideally, training should be undertaken by the same specialists who will respond to a crisis in conjunction with the crisis management team. 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.

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 specialized responder. All parties need to act swiftly and have a clear understanding of the procedures that need to be followed.

Kidnapping

The first hours after 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 the local 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 abduction and provide all known details about the circumstances, the medical condition of the hostage and any communications from the kidnappers. Under no circumstances should the field manager take independent actions, such as notifying the police.

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

- Ask the field manager (or other senior representative) to provide specifics about the victim's role in the company, his or her nationality and the time, place and nature of the abduction.
- Ascertain if the victim was injured in the assault.
- Tell the field manager to wait for further instructions from the crisis management team regarding the notification of law enforcement. In many countries, several different 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 will generally be a top priority of the crisis management team, which will typically seek the advice of specialized responders. Law enforcement authorities from the victim's home country also will be notified.
- Instruct the field manager not to talk to the press.
- Instruct the field manager to prepare appropriate staff members to receive communications, written or by phone, from the kidnappers, with phone calls to be recorded if possible. Call recipients should merely listen to the demands and ask the kidnappers 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 by calling 1 (305) 865-0072; when calling, identify your corporation as a Chubb insured.

Specialized firms like The Ackerman Group will be prepared to help you confirm whether an actual kidnapping has taken place. In recent years, scam artists have perfected the "virtual kidnapping," in which they convince the victim's family and/or his corporate sponsor that an actual abduction has taken place without ever placing the victim under duress. Expert responders have little trouble distinguishing between virtual and actual kidnappings.

They also will be prepared to contact appropriate law enforcement agencies and will advise on whether the corporation's involvement should be covert. In a covert process, the corporation provides responder expertise and ransom funds to the victim's family while masking its own involvement. Hiding corporate involvement is often desirable. If it becomes known that a corporation has paid a large ransom, other employees could be placed at risk.

The Ackerman Group is prepared to handle virtually all aspects of the recovery process, including negotiating directly with the kidnappers, 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.

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 amount of 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 kidnappers, 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 a revolution or other type of uprising.

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

Extortion

Companies are more likely to fall victim to personal injury or asset damage extortions, in which payment is demanded for not harming a person or an asset, than to kidnappings. One advantage to extortion cases is that the person or asset threatened remains under corporate control, and steps can typically be taken to protect that person or asset.

In the case of either personal injury or asset damage extortion demands, the local field manager should:

- Immediately upon receipt of a demand, contact the crisis management team's coordinator or his or her designee on the corporate security staff.
- 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.
- Tell the field manager to stand by for further instructions from the crisis management team.

The crisis management team should then:

- Notify a specialized firm, like The Ackerman Group. The Ackerman Group is available around the clock by calling 1 (305) 865-0072; when calling, identify your corporation as a Chubb insured.
- Determine the validity of the extortion threat in consultation with specialized responders 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 so-called fishing expeditions, in which would-be extortionists send out numerous demand letters in the hope of getting someone to take the bait.

- 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.
- Consider the legal implications of making an extortion payment. Some countries have passed laws making it illegal for companies to satisfy extortion demands made by terrorist groups or drug cartels. Authorities are especially prone to prosecute companies that make serial payments.
- Seek the assistance of police services in the hope of apprehending the extortionist and ending the problem. In dealing with police services, it is important to select the most capable component of the most professional agency.

Product contamination extortions, in which a perpetrator threatens to poison a food, a personal-hygiene product or 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. In the end, they are managed similarly to other extortion attempts.

Political Crisis

The best way to deal with an overseas political crisis is to foresee it and to evacuate personnel in advance on regular commercial flights. One of the objectives of the RISKNET® service is to provide early warning advice to aid in this effort.

Unfortunately, some crises, such as coups, often cannot be foreseen. When unrest erupts, some managers react by trying to evacuate personnel immediately, which may place them in harm's way. In many such instances, the airport will probably be closed. Moreover, it is likely to be a magnet for fighting and the path to it may be impeded by military roadblocks manned by nervous soldiers.

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

Avoiding Problems

Although it is wise to prepare for worst-case scenarios, the primary objective of any strategy for dealing with terrorism, crime and political stability 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. Crime and terrorism experts are struck time and again by perpetrators' propensity to identify and attack easier targets. Defensive programs do not guarantee immunity, but their absence over a prolonged period in a high-risk area almost always ensures trouble.

Training should involve employees and, when appropriate, their family members. It may require no more than a few hours — and certainly no more than several days — to make an executive or a technician a more difficult crime target. Training may help the employee and their family members be not only more elusive, but also more sensitive to the danger signals that often precede kidnappings and other assaults. As a last line of defense, those who are at high risk of being taken hostage can be trained to conduct themselves in ways that maximize their chances for survival.

Personnel who travel often and to perilous areas should attend a seminar on travel security; persons who reside in high-risk areas may require more in-depth training, as well as a review by security professionals of their homes, workplaces and patterns of movement. Based on such a review, a security specialist will prescribe appropriate defensive measures.

About The Ackerman Group, LLC

The Ackerman Group is widely recognized for its expertise in addressing corporate-related terrorism and crime. It provides risk forecasting, security training, security design and investigative services to numerous American, European and Japanese multinationals 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 staff, based in Ft. Lauderdale, Salt Lake City, Paris and Bangkok, is complemented by a worldwide network of trusted associates.



About RISKNET®

The Ackerman Group's Risks Forecast Service analyzes terrorism, crime and political stability risks in more than 100 countries. RISKNET® electronic reporting is accessible worldwide on a 24-hour basis and is updated throughout the business day. Some of the features of RISKNET® include:

- **The Executive Digest** — A rundown of breaking developments that could affect travel and business operations. It is published at 9 a.m. Eastern Standard Time and updated throughout the business day during periods of emergency. Users may request the digest be delivered via email.
- **Country Summaries** — Assessments of current terrorism, crime and political stability risks in more than 100 countries, with security advice designed for both decisionmakers and travelers.
- **Air Travel Guide** — Provides comments on terrorism risks to air travel.
- **City Guides** — Offers recommendations on the best means of traveling from the airport to town, the most appropriate ways of getting around (by foot and/or vehicle) and the safest hotels in more than 140 cities worldwide. Special security concerns are also addressed.

About the Author

Widely acknowledged as one of America's leading authorities on terrorism, Mike Ackerman's forte is recovering kidnap victims. He has lectured at the National War College, the Harvard Business School and Dartmouth's Amos Tuck School of Business Administration. Mr. Ackerman has appeared before the crisis management teams of numerous multinational corporations and has made more than 100 appearances as a commentator on terrorism and intelligence matters on news networks. His book, *Counterterrorism Strategies for Corporations: The Ackerman Principles*, was published in 2008.

Mr. Ackerman served in the CIA's Clandestine Services for 11 years before resigning in 1975. In the CIA, he undertook intelligence operations in 20 European, Latin American and African countries. Fluent in Spanish and conversant in Russian and Italian, Mr. Ackerman graduated from Dartmouth College magna cum laude and holds an M.A. from Columbia. He also served as a security officer in the U.S. Air Force Strategic Air Command.

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