



Quantum Special Risks Insurance

2020

What is Special Risks insurance?

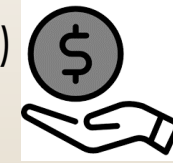
- ▶ 'Special Risks' insurance was first developed in the 1930s as a niche product for high net worth individuals in the USA and Europe.
- ▶ It has since evolved into an extremely dynamic and competitive market and the scope of coverage has extended far beyond the 'traditional' perils of 'kidnap for ransom' and extortion.
- ▶ Programmes now cover a broad range of 'security risks' and are used by policyholders as a crisis response resource. This is why the product has been re-marketed as 'Special Risks' insurance rather than simply 'kidnap for ransom'.

Special Risks – Common Questions

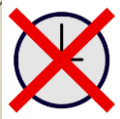
1. Is this form of insurance legal? Yes this insurance is legal. Some countries (Italy, Colombia, Singapore) ban the payment of ransoms. It is illegal to pay ransoms to proscribed terrorist organisations.
2. Do many companies purchase it? It is estimated that 75% of Fortune 500 firms buy it.
3. How big is the market? Approximately \$250 million of premium globally.
4. How big are the premiums? Between \$1,000 and \$1.5 million!
5. Who are the biggest insurers? Hiscox, AIG, AXA-XL, HCC and Travelers.
6. Does this form of insurance fuel kidnappings? No. The insurance is confidential and research shows that insured victims have a better outcome than those without coverage.

Special Risks – Fundamentals

- Special Risks (K&R) insurance works on a **reimbursement basis** apart from the Personal Accident benefits (payable as a lump sum) and Response Consultant fees and Expenses (settled by insurer)



- A **response consultant** will be retained by the insurer offering the cover and will be responsible for coordinating any response to an Insured Event. The insurer pays for the services of the response consultant through their retainer agreement.



- No operative time

- Policies can be cancelled without penalty



- No deductibles



- Strictly **confidential** policy

- All policies are based on our in-house policy wording and all claims are handled by SCR's dedicated team



Special Risks – the Basics

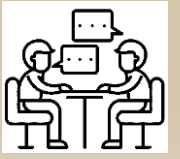
Perils

Losses

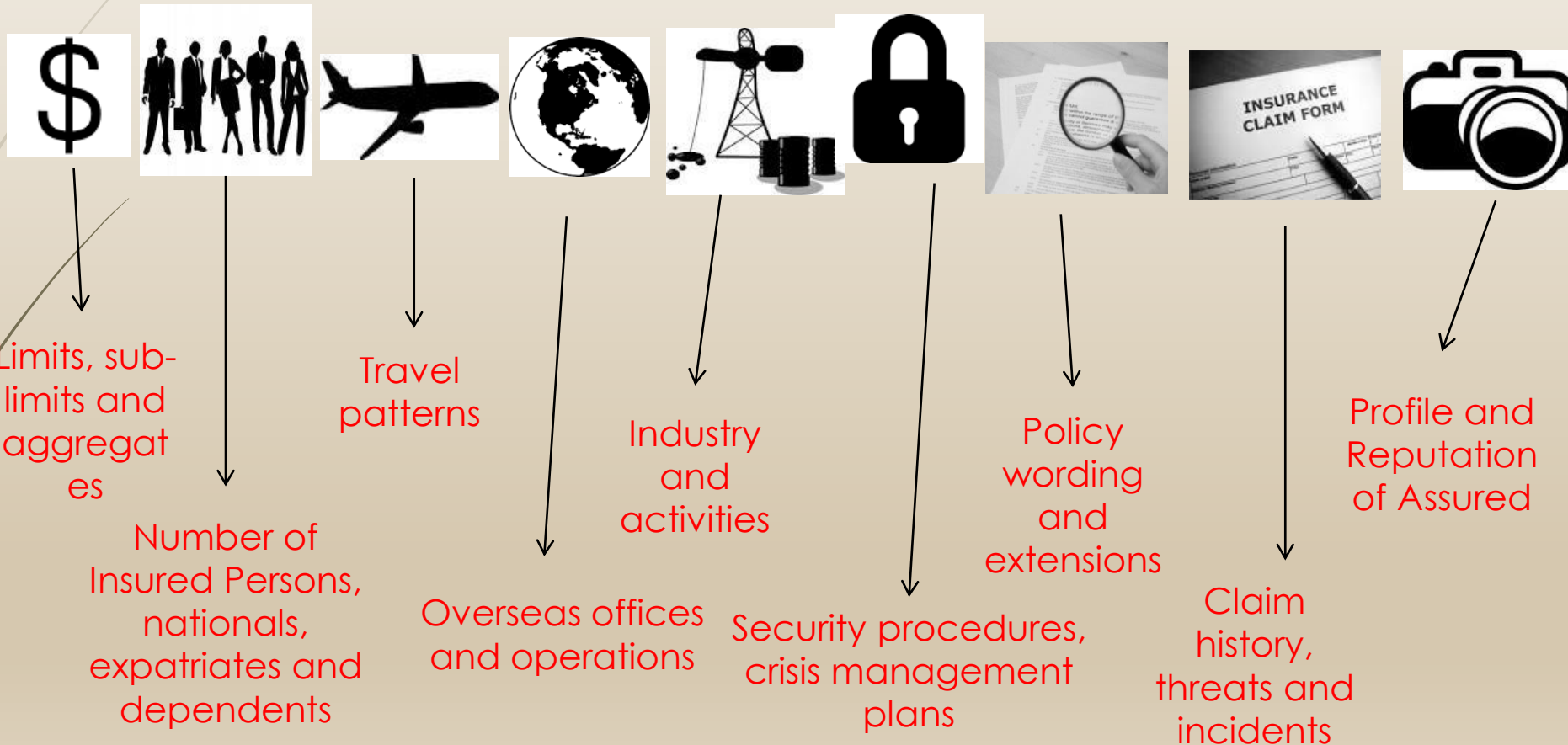
Wording Extensions

-  Kidnap for Ransom
-  Unlawful Detention
-  Hijack
-  Extortion
-  Threat
-  Disappearance
-  Express Kidnap
-  Hostage Crisis
-  Assault

- Ransom
- Ransom-in-transit
- Additional Expenses
- Legal Liability
- Response Consultant Fees & Expenses (UNLIMITED)



What influences pricing / underwriting factors?



Key Industry Sectors and Prospects

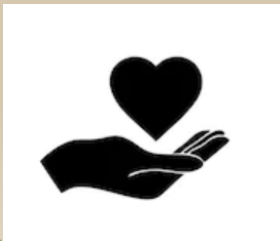
Any client with travel to medium / high risk territories is a good prospect for this type of insurance solution. Multinational companies in any industry fit this criteria and they represent 60% of our portfolio.

Clients with permanent operations and expatriate personnel based in these territories should consider this insurance as a 'must-have'.

The profile and reputation of the client must also be considered – could they be a target?

Example Industry sectors:

Non-
government /
non-profit
organisation



Energy



Mining and
constriction



Private
Security



Religious
Organisations



Education



Financial
Institution



Media



What information is required for a premium indication?

- Name of Assured
- Headcount per country 
- Travel patterns (medium/high risk territories) 
- Security measures for high risk exposure 
- Claims / incidents information for formal quote

We will provide options for different limits, coverage levels and long-term agreements if appropriate.

Risk Mitigation Allowance (RMA)

- **How does it work?** Each policy has 20 or 10% of the value of the premium as a bursary.
- **What is it for?** This bursary is to be spent on crisis management – better preparing the Assured for a crisis incident.
- **Why do insurers provide it and can it be claimed back as a discount?** It improves the risk they are underwriting – prepared and informed clients are less likely to suffer a loss. Insurers do not ‘swap’ it for a premium reduction.
- **Who offers it?** SCR is the only broker in the world with a comprehensive in-house security and crisis management function – all services can be provided by Alert:24.
- **Examples of RMA consultancy?**
 - Crisis management workshop
 - Crisis management plan audit / creation
 - Personal security awareness / home survey

Alert:24 – Risk Advisory & Crisis Support Practice



Risk Advisory Services

Consultancy products and services including such areas as:

- Crisis management
- Travel
- Security and Terrorism
- Intelligence
- Crisis Communication

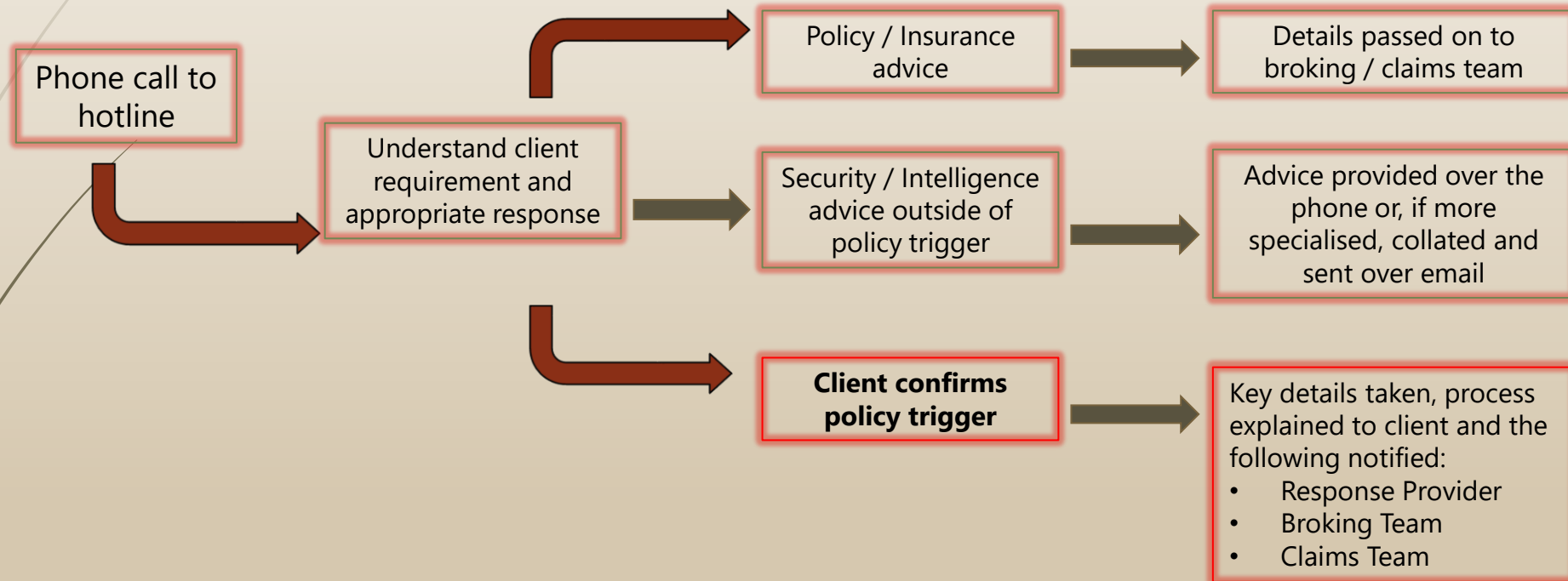


Crisis Support

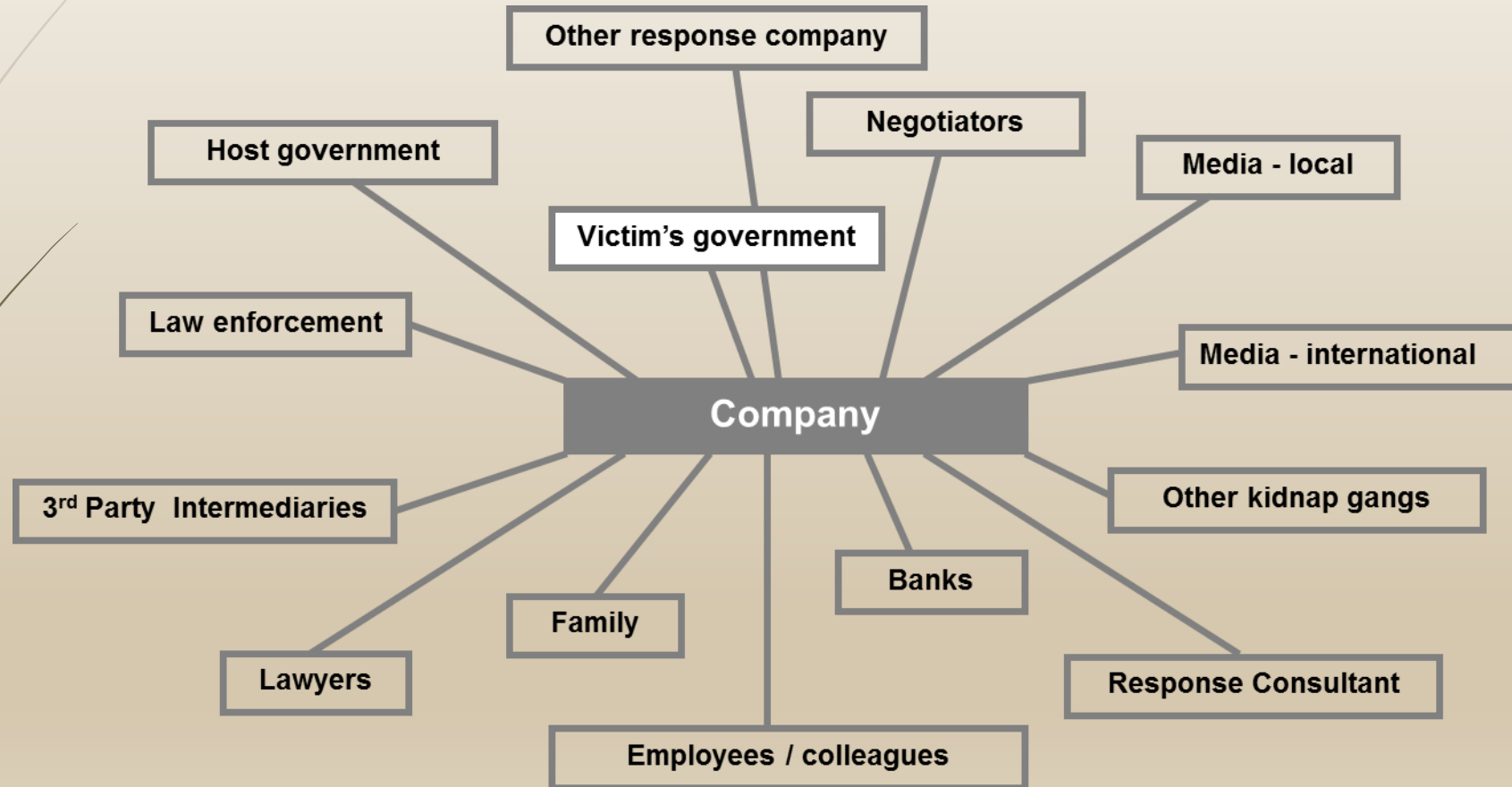
- 24/7 Operations Centre
- Regular auditing of response consultants
- Pro-active monitoring of 'hot-spots'
- 24/7 Advocacy and Support
- Crisis Coordination and stakeholder management

Crisis Support and Incident Notification

- Alert:24 Operations Centre manned 24 hours a day, 365 days a year to assist clients before, during and after an incident:



The scale of the challenge – stakeholder management



Response consultants – what to expect

What they will do...

- Contact you immediately when an incident occurs.
- Physically deploy to the country of the incident if required.
- Co-ordinate incident response.
- Handhold you throughout the incident including post-incident debriefing.
- Allocate roles and responsibilities.
- Structure and plan ransom negotiations.
- Leverage their local contacts and link you to other experts when required.

What they will not do...

- Speak to a kidnapper / extortionist directly.
- Make decisions on your behalf / impose a strategy.
- Deliver a ransom payment i.e. the 'drop'
- Attempt to rescue the victim.
- Assist in paying a ransom to a proscribed / sanctioned entity.

Considerations – Preparation is Key

Crisis Management Team (CMT)

- Do you have a crisis management team in place with stand-in / substitute members?
- Has a person been allocated the role of family liaison officer?

Crisis Management Plan (CMP)

- Do you have a crisis management plan?
- When was the crisis management plan last updated?
- Has it been benchmarked against industry / peer group standards?
- Have region-specific annexes or plans been prepared and are they connected to the 'top level' CMP?

Travel security and travel policy

- Do you maintain a travel security plan?
- Are regular travellers tracked / trained in travel awareness?

Practice and drilling

- Has the CMT been put through a simulated incident?
- If yes, is this a regular occurrence?

What is the risk?

Top 10 kidnap hotspots 2019

- 
- 1 Mexico
 - 2 Nigeria
 - 3 Afghanistan
 - 4 Colombia
 - 5 Iraq
 - 6 Venezuela
 - 7 Cameroon
 - 8 Libya
 - 9 Democratic Republic of the Congo
 - 10 Brazil / Philippines

Kidnaps are hugely underreported. 'Unlawful' or politically-motivated detentions (China, KSA, UAE) are not recorded in the same way as kidnaps.

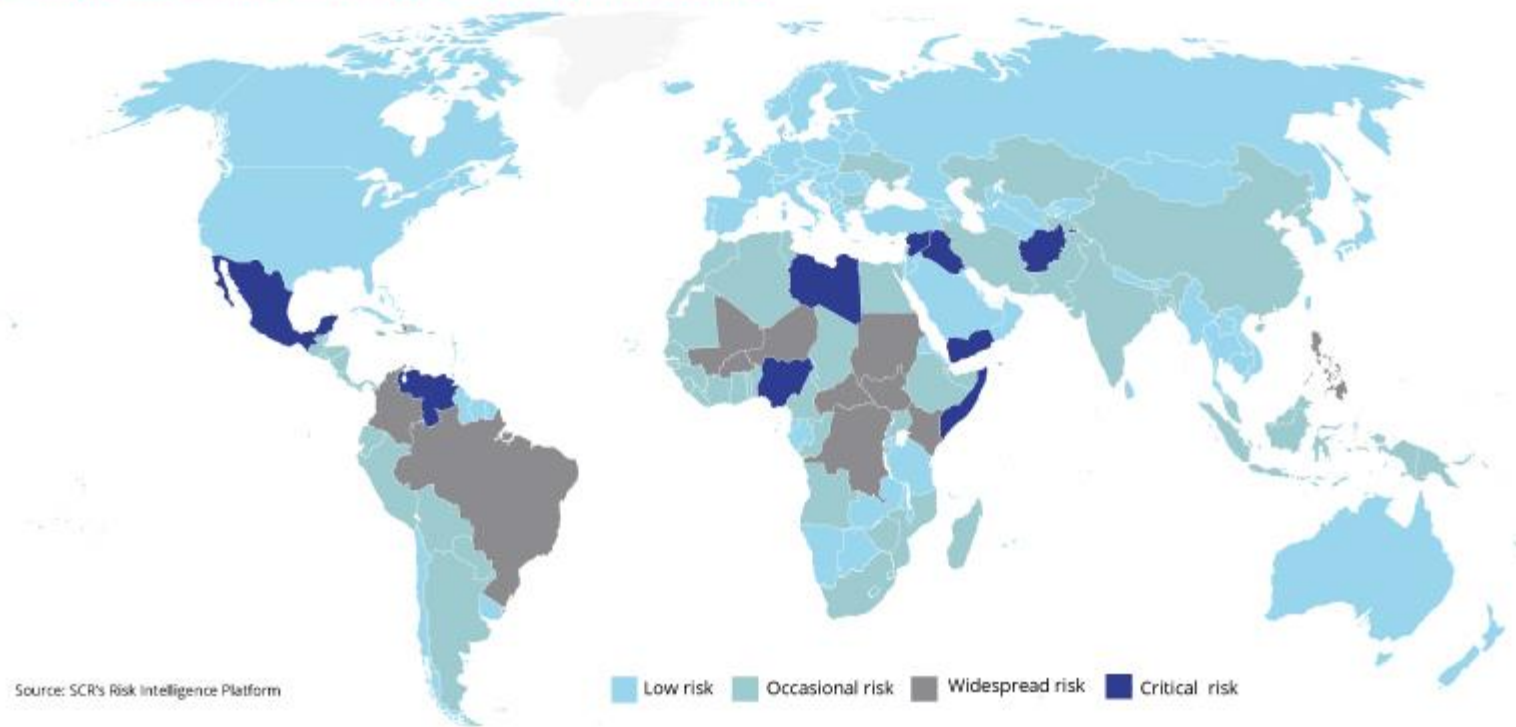
Other areas of concern include:

- Syria
- Yemen
- Mozambique
- South Africa
- Somalia
- Sudan
- South Sudan
- Haiti
- Mali

Extortion, blackmail and threats are common across the world. The Metropolitan Police deals with 70+ kidnaps in London every year.

What is the risk?

Kidnap and ransom risk for foreign nationals



What is the risk?

Gender



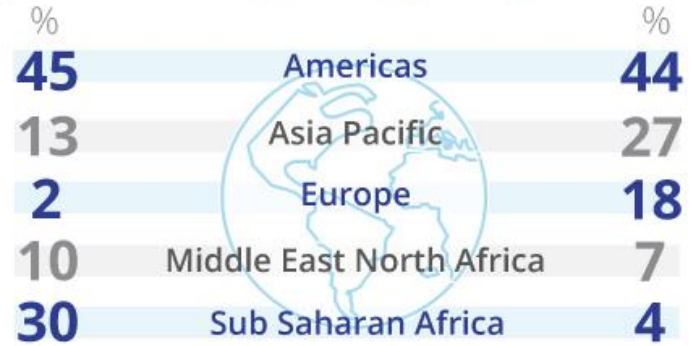
Victims



Kidnap motivation



Regions incidents happen Origin of foreign national victims





Key findings

1 Feeling ready vs. being ready



More than three-quarters of board members (76 percent) believe their companies would respond effectively if a crisis struck tomorrow. Yet only 49 percent of board members say their companies engage in monitoring or internal communications to detect trouble ahead, and only 49 percent say their companies have playbooks for likely crisis scenarios. Even fewer (32 percent) say their companies engage in crisis simulations or training.

2 Ranking the threats



Survey participants said the crisis areas that make them feel the most vulnerable are corporate reputation (73 percent), cyber-crime (70 percent), and rumors (68 percent). Two-thirds (66 percent) named supply chain issues, regulatory action, and natural disasters as vulnerabilities as well.

3 A "vulnerability gap" between awareness and preparation



When asked about specific crisis areas, board members were more likely to acknowledge their vulnerability than they were to say they had a plan for it. For example, 73 percent named reputation as a vulnerability, but only 39 percent said they had a plan to address it.

4 Board members aren't engaging with management



Fewer than half (49 percent) say they have engaged with management to understand what has been done to support crisis preparedness. Only half say board members and management have specific discussions about crisis prevention.

5 No quick fixes



Fewer than one-third (30 percent) of board members who had experience in past crises said their reputations recovered in less than a year. Sixteen percent said it took four years or more. Financial and operational crises had similar long recovery times.

Clicca sul seguente link per svolgere il test di valutazione:

<https://my.questbase.com/take.aspx?pin=1095-4381-4013>



Quantum MGA

2020