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## Kidnapping Risks Extend Beyond Piracy

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While maritime piracy off the coast of Africa has grabbed recent headlines, companies should be aware of increasing kidnapping and ransom risks for personnel traveling to many other areas of the world, an insurer is warning.

Washington, D.C.-based Clements International noted that the most kidnapping incidents actually occur in South America. The company cited Afghanistan, Mexico, Pakistan, the Philippines and Venezuela as areas where kidnapping is on the rise.

“Kidnapping occurs more often than most realize,” Yan Bui, a commercial insurance executive at Clements, said in a statement. “There’s intense focus now on Africa and the Gulf of Aden since Richard Phillips, captain of U.S. cargo ship Maersk Alabama, was taken hostage and then freed by the U.S. military. But this is certainly not a new problem, and international organizations and expatriates face other very real risks in the form of kidnapping, ransom demands and extortion threats.”

Clements said that while the U.S. military rescued Mr. Phillips, governments are rarely involved in kidnapping

situations, and organizations typically have to resolve crisis on their own.

“Organizations cannot afford to deny the threat that kidnap and ransom poses to their operations and employees,” Ms. Bui said. “It is vital to ensure mechanisms are in place to safeguard against these risks.”

Ms. Bui told NU Online that one such mechanism is insurance to protect companies. Kidnap and ransom coverages, she said, go into effect once a demand for ransom is made.

Insurance carriers have crisis teams that assist with negotiations, and insurers cover the ransom on a reimbursement basis, she added.

Policies typically cover kidnapping and ransom and accidental death and dismemberment, Ms. Bui said. She noted some coverages also include defense costs in the event a family member sues the organization as a result of kidnapping. She added companies should ensure that war risk is included so any kidnapping associated with terrorist acts would be covered.



## Severity of Haiti Earthquake Offers Reminder of U.S. Vulnerability to Same Type of Natural Disaster

*Even in California, Few Have Earthquake Coverage for U.S. Property Losses*

January 19, 2010 — The potential cost of U.S. earthquakes has been growing because of increasing urban development in seismically active areas and the vulnerability of older buildings, which may not have been built or upgraded to current building codes.

Compounding this problem is the fact that the vast majority of homeowners living in seismic zones do not purchase earthquake insurance, according to the Insurance Information Institute (I.I.I.). In fact, only 12 percent of California homeowners have earthquake coverage.

EARTHQUAKES AND INSURANCE

Earthquakes are not covered under standard U.S. homeowners or business insurance policies. Coverage is usually available for earthquake damage in the form of a supplemental policy to homeowners or business insurance. Standard homeowners and business insurance policies may, however, cover losses from a fire following an earthquake, which would include additional living expenses and business interruption coverage. Cars and other vehicles are covered for earthquake damage under the optional comprehensive portion of an auto insurance policy.

Earthquake insurance policies often carry a deductible, generally in the form of a percentage rather than a

dollar amount. Deductibles can range anywhere from 2 percent to 20 percent of the structure's replacement value. This means that if it costs \$100,000 to rebuild a home and the policy had a 2 percent deductible, the policyholder would be responsible for paying the first \$2,000.

In California, homeowners can also secure coverage from the California Earthquake Authority (CEA), a privately funded, publicly managed organization. The CEA offers homeowners dwelling coverage deductibles of either 10 or 15 percent. The CEA coverage limit is the insured value of the home as stated on the companion homeowners insurance policy.

Earthquake insurance premium rates are determined differently by each insurance company and can vary widely depending on several factors, such as the location of the building and the construction materials used in its construction.

#### U.S. EARTHQUAKE HISTORY

The severity of last week's Haitian earthquake is being compared to that of the quake that struck Haiti in 1842, killing thousands, but few realize that the U.S. was also rocked by a major quake in the 19th century

The New Madrid earthquake of December 1811, one of the largest in U.S. history, had its epicenter in Missouri, and ended up ringing church bells in Boston, more than 1,000 miles away. The New Madrid Fault zone lies within the central Mississippi valley extending from northeastern Arkansas through southeastern Missouri, western Tennessee, Kentucky and southern Illinois. Indeed, four small quakes in mid-December 2009 were felt in Arkansas, Missouri, Tennessee and Kentucky, even though the highest magnitude was only a 3.1, versus the 7.0 temblor which hit Haiti. No injuries or property damage were reported in the U.S. from last month's seismic activity.

Since 1900, earthquakes have occurred in 39 U.S. states. Minor earthquakes, for instance, struck states such as Illinois and Nevada in 2008. There has not been a major quake on the U.S. mainland, however, since the 6.7 magnitude Northridge, California event in 1994.

Nonetheless, California remains the U.S. state most at risk of a major earthquake. A huge quake is more likely in Southern

California than in Northern California over the next 30 years, according to a 2008 study compiled by experts from the U.S. Geological Survey, USC's Southern California Earthquake Center and the California Geological Survey. The study also predicted, in looking at the 30-year probability of one or more events greater than or equal to the magnitude of the Northridge quake hitting California, that there is a 99 percent chance that at least one earthquake meeting that criterion will occur.

The 1994 Northridge earthquake and the 1989 6.9 magnitude Loma Prieta quake that struck the Oakland-San Francisco area during that year's World Series were the two most costly earthquakes in U.S. history, as defined by insured losses. In 2008 dollars, Northridge caused an estimated \$19 billion to \$29 billion in economic losses while the Oakland-San Francisco quake resulted in losses totaling a little over \$12 billion.

Yet, almost 16 years after 1994's Northridge, California earthquake, only about one in eight California residents have their homes or businesses insured for property losses in the event of a quake, the Insurance Information Network of California (IINC) estimates.

*The I.I.I. is a nonprofit, communications organization supported by the insurance industry.*

[http://www.iii.org/Press\\_Releases/Severity-of-Haiti-Earthquake-Offers-Reminder-of-US-Vulnerability-to-Same-Type-of-Natural-Disaster.html](http://www.iii.org/Press_Releases/Severity-of-Haiti-Earthquake-Offers-Reminder-of-US-Vulnerability-to-Same-Type-of-Natural-Disaster.html)

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