

ADVISER

PROPOSED UK LEGISLATION TO PROHIBIT THE REIMBURSEMENT BY INSURERS OF RANSOM PAYMENTS MADE IN RESPONSE TO TERRORIST DEMANDS

On 26 November 2014, a Counter-Terrorism and Security Bill was introduced to Parliament. The Bill aims to give the UK police and security services greater powers to combat terrorism. Under the proposed new legislation, it would be a criminal offence for insurers to reimburse ransoms paid in response to terrorist demands.

BEYOND THE TERRORISM ACT 2000

Although the Terrorism Act 2000 criminalises terrorist financing, it does not expressly state that insurers may not reimburse ransoms paid to terrorists. According to the Home Secretary, the new legislation would put an end to “uncertainty about insurance and reinsurance payments for kidnap and ransom” by making it clear that insurers may not reimburse ransoms. The Bill would create a new offence which would explicitly prohibit the reimbursement of a payment which the insurer “knows or has reasonable cause to suspect” has been made in response to a terrorist demand. The Bill provides for penalties of up to 14 years in prison and/or a fine.

The UK Government hopes to fast-track the Bill through Parliament, with a view to it becoming law before the next general election, in May 2015.

THE MARSH VIEW

It is unlikely that the proposed legislation would lead to much change in the way UK insurance business is already conducted. For example, policies placed by Marsh’s Special Risks team already exclude reimbursement for illegally-paid ransoms.

The new legislation does not affect the recoverability of the fees and expenses of an experienced response consultant, who can assist a client with all aspects of an incident involving a terrorist organisation. Cover for such fees is included in all special risks policies, without any limit on the coverage provided, regardless of whether an incident lasts for days or months.

In addition to providing access to an experienced response consultant, special risks policies would continue to cover reimbursement of various additional expenses such as fees paid for psychiatric and/or medical care, legal advice, and the salaries of insured persons.

ABOUT THIS ADVISER

This Adviser has been produced by Marsh’s UK Special Risks team. Employees of multinational enterprises, contractors, domestic companies with international travellers, high-net-worth individuals and families can run the risk of being kidnapped, extorted, detained or hijacked. Our specialist UK-based Special Risks team works with companies and individuals to tailor kidnap and extortion policies to their specific risk requirements.

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