



The Special Risks Report

January 2021

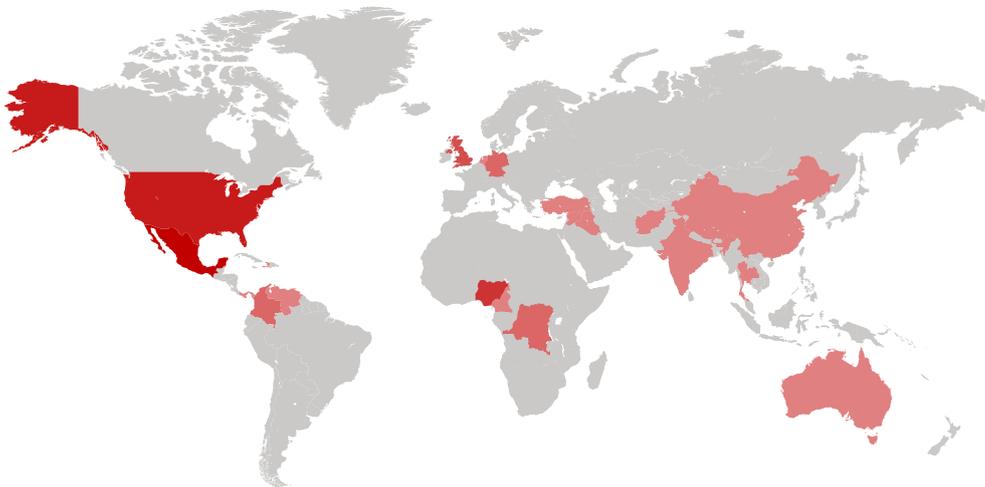
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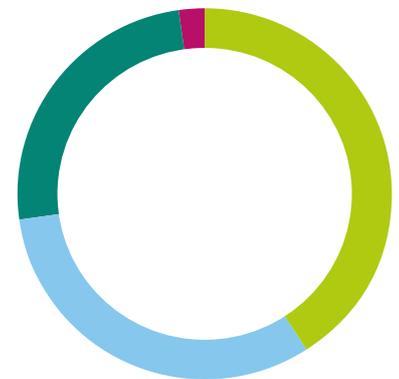
Casework

October - December 2020

Location of cases



Breakdown of cases



- ▶ 41% Threat extortion
- ▶ 32% Kidnap
- ▶ 25% Threat
- ▶ 2% Missing person

Number of cases per country

13 - Mexico | 12 - USA | 7 - Nigeria | 5 - United Kingdom | 2 - Colombia, Congo (DRC), Germany | 1 - Afghanistan, Australia, Cameroon, China, Haiti, India, Iraq, Netherlands, Panama, Syria, Thailand, Turkey, Venezuela

In the event of a kidnap or another special risks crisis covered by Hiscox, including a detention, extortion or threat, clients will benefit from Control Risks' services as part of their insurance policy.

Since its foundation in 1975, Control Risks has advised clients on the resolution of more than 4,000 cases of kidnap and other special risks crises in 144 countries, with more than 53,900 person-days aggregate duration. Control Risks has a full time team of Response Consultants available for immediate deployment in response to a covered crisis anywhere in the world as well as a team of 'handholders' located at Control Risks' 37 offices worldwide. For more information about Control Risks please visit: www.controlrisks.com

Hiscox is the world's largest provider of specialist kidnap, detention and extortion insurance. Hiscox clients include multinational companies operating in high risk regions of the world, key executives working in commercially sensitive positions and individuals whose wealth or fame may attract the attention of criminals. Hiscox kidnap and ransom underwriters - based in Guernsey, France, Germany, the US, and at Lloyds of London - are the most experienced in the field. Our knowledge of the sector enables us to make quick decisions on cover, no matter how unusual the request. Our specialist policies can be tailored to suit individual needs and circumstances. For further information, please contact us at kr.guernsey@Hiscox.com

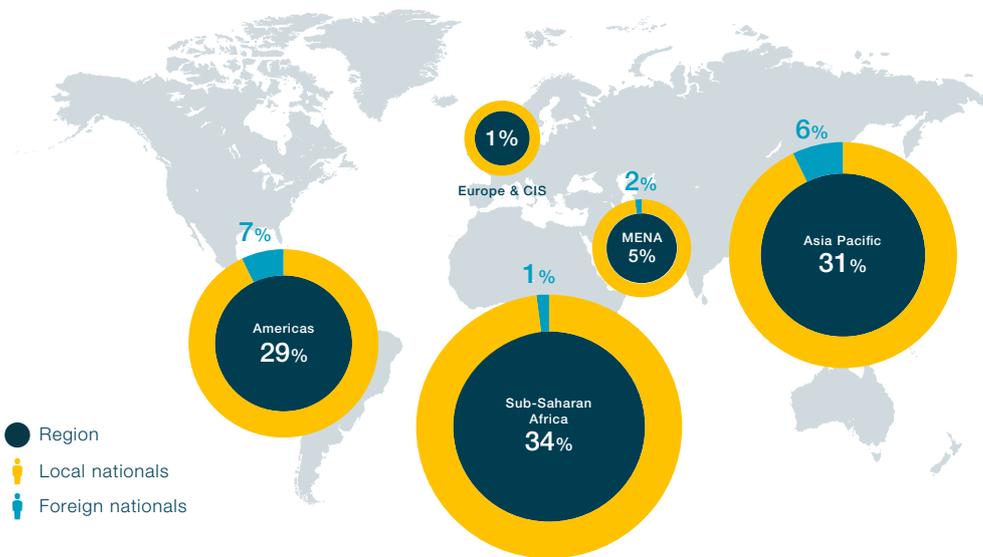
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Global Kidnapping Trends

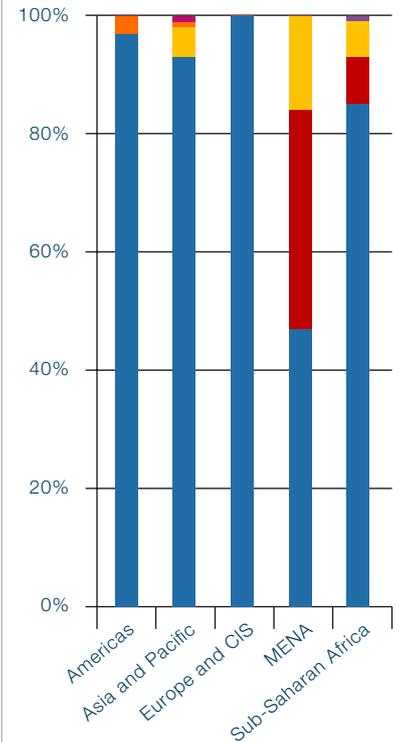
October - December 2020

Key trends: open source

Incidents involving local and foreign nationals



Perpetrator types



48% of abductions happened in transit

87% of abductions resolved in less than 8 days

98% of global victims were local nationals

21 sectors affected

- Criminal
- Islamist extremist
- Ethnic/Nationalist
- Left-wing
- Local Community Group
- Other

Control Risks maintains a dedicated team of special risks analysts who track kidnap-for-ransom and other extortive crime trends around the world. The analysts carry out research in multiple languages, including English, French, Spanish, German and Portuguese. They maintain a database of cases believed to be the largest commercial database of its kind, currently containing details of more than 62,000 kidnaps for ransom. The team provides analytical support to deployed consultants on live kidnap-for-ransom cases. Using their understanding of local kidnap dynamics they are able to help predict the likely perpetrators of a specific incident, their motivations for carrying out the abduction as well as providing tactical information about the average length of cases and typical concessions required for release. They also write all kidnap analysis on an online platform brought to assureds by Hiscox called Global Risk Data. In addition, the team is able to provide bespoke kidnap consulting analysis tailored to clients' individual exposures.



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Africa

KEY DEVELOPMENTS

- ▶ The kidnapping-for-ransom threat in **Nigeria** remained elevated, both onshore and offshore, amid further escalations in group kidnaps and maritime kidnapping-for-ransom
- ▶ **Mozambique** witnessed a series of kidnaps targeting local business owners in Maputo and Manica provinces
- ▶ **Congo (DRC)** experienced a resurgence of kidnaps targeting NGO personnel, notably in eastern regions

The kidnapping-for-ransom environment in **Nigeria** continued to worsen over 2020, both onshore and offshore. In line with wider trends, the final quarter of 2020 saw a continued rise in kidnaps featuring the abduction of multiple victims. In north-western states in particular, banditry drove a marked rise in kidnaps involving ten or more victims. This trend came to a head on 11 December, when kidnappers abducted at least 343 students from a secondary school in Kankara (Katsina state). Although claims of responsibility by Islamist militant group Boko Haram are unverified, the incident demonstrated the increasing capacity of kidnappers in the north-west to conduct complex kidnap operations. In turn, kidnappers in southern states have used busy roads such as the East-West road in Ughelli (Delta state) as staging points for abductions targeting groups of travellers.

The maritime kidnapping-for-ransom threat offshore Nigeria in the **Gulf of Guinea** also rose markedly in November and December as the Harmattan winds set in and Nigerian pirate groups increased the pace of operations during the southern dry season. November alone saw six maritime kidnaps-for-ransom in the Gulf of Guinea, with a total of 38 crew abducted – the highest number taken since May and 24% of the total number of victims in 2020. Commercial shipping will remain the most prominent target because of the higher potential ransom revenues. The pace of maritime kidnaps-for-ransom is likely to remain elevated in early 2021.

Mozambique witnessed a string of kidnaps targeting business personnel in November, following an average of one reported incident per month from January to October. All the kidnaps recorded in November took place in major southern cities such as the capital Maputo and Chimoio, and predominantly targeted local business owners. These incidents consistently featured a degree of planning by the kidnappers and were likely linked to organised criminal groups. Kidnaps rarely affect short-term visitors in Mozambique's major cities due to kidnappers' reliance on prior planning. However, criminal groups likely retain the intent to target any established business personnel deemed wealthy in the local context. Although the kidnap threat in the country is likely to be highest in Cabo Delgado province given an ongoing insurgency there, business personnel have largely vacated the region amid the insecurity, resulting in a lower likelihood of incidents affecting them.

In **Congo (DRC)**, threat actors operating in the eastern regions, notably North Kivu and South Kivu provinces, consistently targeted NGO workers and local residents in kidnapping-for-ransom operations in the final quarter of 2020. Kidnapping in eastern Congo (DRC) is typically linked to local Mai Mai militia groups, though attributing specific cases to these groups is often difficult. Kidnaps are predominantly financially motivated and typically involve assailants ambushing personnel along roadsides. Of the kidnaps recorded in the country in 2020, 73% occurred while the victim was in transit. Personnel associated with NGOs or commercial operations will remain particularly prominent targets for kidnappers given the elevated potential ransom.



43%
of abductions
happened in
transit



85%
of abductions
resolved in less
than 8 days



18
sectors
affected

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Americas

KEY DEVELOPMENTS

- ▶ **Mexico** recorded the highest share of kidnaps in the Americas during the fourth quarter, with approximately 38% of the total
- ▶ Cases skyrocketed in **Haiti** as the country registered its highest number of kidnaps for a single quarter on record
- ▶ Rates remained broadly stable in **Colombia** and **Brazil** in the fourth quarter compared with the same quarter in 2019, while **Venezuela** experienced an increase in cases

Approximately 38% of all cases in the region took place in **Mexico**, which remained the primary kidnapping hotspot in the Americas. During this quarter, Mexico City recorded the highest incidence of this crime. This trend is likely to have been driven by financially motivated criminal groups in the capital seeking to increase their revenues amid declines in other types of activity – such as drug dealing or extortion of local businesses – which have been hit by the economic side effects of the pandemic. The State of Mexico, Jalisco, Veracruz and Nuevo León also recorded high rates of the crime during this period. Employees and business owners accounted for 47% of kidnap victims during this quarter, where information on the victim was available.

Abductions skyrocketed in **Haiti** during the last quarter amid a protracted security crisis. Control Risks registered more cases during the last quarter than during any other comparative period in our records. Moreover, a high proportion of kidnaps are likely to go unreported, particularly those involving local nationals. Such incidents are less frequently reported to the authorities out of fear of reprisals from perpetrators. Approximately 78% of cases took place in the greater metropolitan area of Port-Au-Prince, while 10% were registered in Artibonite department. Local nationals remained the primary targets, representing approximately 97% of all victims.

Rates remained broadly stable in both **Brazil** and **Colombia** compared with the same period in 2019. In Brazil, São Paulo state remained the principal hotspot for kidnapping, recording almost 14% of all cases. Most cases took place in the state capital São Paulo and were financially motivated. Meanwhile, in Colombia, the departments of Valle del Cauca and Norte de Santander, both of which host a guerrilla group presence, recorded almost 20% of all cases in the country. Consistent with historical trends, cases in Colombia had longer average durations than in other countries. Approximately 41% of cases lasted for more than one week, compared with 14% in Mexico and 10% in neighbouring Venezuela.

Elsewhere in the region, **Venezuela** experienced an increase in cases during the fourth quarter compared with the same period in 2019. However, actual rates are likely to be significantly higher as the crime remains widely underreported amid a lack of trust in the authorities. Cases were evenly distributed across the Capital District, Aragua, Miranda, Tachira and Carabobo states. Kidnappers targeted victims from diverse backgrounds. Employees and business owners accounted for almost 55% of all recorded victims during this period, with occupations including agriculture, health, construction and media. Foreigners, including dual nationals, were also targeted, accounting for 23% of victims.



53%
of abductions
happened in
transit



87%
of abductions
resolved in less
than 8 days



16
sectors
affected



The Special Risks Report

Asia and Pacific

KEY DEVELOPMENTS

- ▶ A series of telephone extortions in **Vietnam** underscored the continued transnational nature of Chinese virtual scams
- ▶ Levels of kidnapping remained high in **Afghanistan** as the Taliban continued to kidnap victims to use in prisoner swaps
- ▶ A series of kidnaps in **Myanmar** indicated the threat that ethnic armed groups pose to locals and their businesses

Vietnamese authorities in late November 2020 sentenced three Chinese and seven Vietnamese nationals to prison terms ranging from ten to 15 years for their involvement in a series of telephone scams. The perpetrators sourced the personal information of Vietnamese bank account holders online. They then posed as police officers and contacted the victims to accuse them of being involved in a serious crime such as money laundering, before demanding funds to assist with their investigations. The scammers collectively received approximately VND 10.7bn (USD 462,140) from at least 18 successful incidents over a two-year period. Victims of Chinese virtual scams outside China have traditionally been Chinese nationals or speakers, as the perpetrators speak the same language and can make the scam sound convincing. The uncovering of this scam was notable as it demonstrated that the crime can affect any national if Chinese perpetrators seek out the assistance of local criminals.

Kidnapping levels remained high in **Afghanistan** in the final quarter of 2020. The Taliban has grown increasingly reliant on a tactic of kidnapping victims to use them as leverage for prisoner swaps. The crime is more likely to affect local nationals in rural areas as the group is looking for a quick return. The Taliban on 25 November kidnapped 28 civilians in Jalrez (Wardak province) from a public vehicle on its way to Kabul (Kabul province). It released all victims on 30 November in exchange for six Taliban members who had been taken hostage by a local commander. Foreigners will not be immune from the tactic and have been used in previous prisoner swaps. However, past cases have taken around five years to settle, limiting the effectiveness of these victims for kidnapers looking for immediate leverage in negotiations.

Abductions recorded in the final quarter of 2020 in **Myanmar's** Mandalay division underscored the threat posed by ethnic armed groups to local nationals and their businesses. Members of the Ta'ang National Liberation Army (TNLA) around 16 October kidnapped a businesswoman from her home in Pyin Oo Lwin district (Mandalay division) and demanded a ransom of MMK 65m (USD 49,880) for her release. The perpetrators released her ten days later after her son mortgaged their home for MMK 34m (USD 26,380) to pay the ransom. In a separate incident, the TNLA on 4 December kidnapped a high-profile bakery owner and gems merchant in Mogoke, Pyin Oo Lwin district, while he was driving near the town's market. A number of ethnic armed groups operate in Myanmar. These groups vary in terms of their size and capability. They do not typically engage in kidnapping-for-ransom as the deliberate targeting of their own people would discredit their cause and undermine their local support. In the first instance they will therefore be more minded to target victims of a different ethnicity living within their area of operation. However, groups such as the TNLA could seek to increase their kidnapping activity, including targeting members of the same ethnic group, as a way to expand their income amid the ongoing economic effects of the COVID-19 pandemic.



53%
of abductions
happened in
transit



89%
of abductions
resolved in less
than 8 days



17
sectors
affected

The Special Risks Report

Middle East and North Africa

KEY DEVELOPMENTS

- ▶ Extraterritorial detentions and an execution in **Iran** underscored the ongoing threat to high-profile dissidents critical of the Iranian government
- ▶ The abduction of a businessman in **Lebanon's** Bekaa valley underscored the ongoing HIGH kidnap risk in the region
- ▶ Kidnapping remained a concern in northern **Iraq**, where Islamic State perpetrated abductions to generate funds

Iran on 12 December executed a high-profile dissident journalist who had been arrested in October 2019, reportedly after Iranian security forces lured him to Iraq. His case was the first of three known Iran-orchestrated extraterritorial detentions. The Iranian authorities in August 2020 announced they had detained the leader of the Kingdom Assembly of Iran, a US-based anti-Iranian government group, in a “complex operation”. The detainee was reportedly last seen in Dubai (UAE). On 30 October, an Arab separatist group accused the Iranian government of abducting one of its former leaders in Turkey. The extraterritorial detentions are examples of Iran’s willingness to violate the sovereignty of other nations. If sustained, they will likely continue to prompt severe international criticism and further damage Iran’s foreign relationships. However, these operations involve a significant amount of planning and resources and will be reserved for the highest-profile individuals who engage – or are perceived to engage – in activity that may seriously harm the Iranian government or national security. The threat posed to most dissidents will remain most acute if they enter Iran.

Criminals in **Lebanon** on 17 November kidnapped a local businessman in Qaroun (Bekaa governorate). Local media reported that the victim, who was in his 60s, had also been kidnapped in 2016 following a personal financial dispute. No further information regarding the kidnap was available. However, the incident underscores the ongoing kidnap risk in the Bekaa valley, which abuts war-torn Syria. The governorate hosts financially motivated criminal groups, which take advantage of the porous border to operate with relative impunity. Security forces expelled militant groups from Lebanon in a large-scale ground operation in July 2017. Although some Islamic State (IS) sleeper cells likely remain present in the region, they do not retain the intent or capability to conduct abductions.

Kidnapping-for-ransom remains a significant security concern in northern **Iraq**, where IS continues to perpetrate abductions as a means of generating funds. Although the threat posed by IS has declined significantly since the height of its Iraq insurgency in 2014-15, we continued to record sporadic IS abductions throughout 2020 in Anbar, Diyala, Nineveh, Salahaddin and the disputed province of Kirkuk. The group continues to use kidnapping-for-ransom as a mechanism for funding. The group has demonstrated it has the capability to conduct protracted kidnaps. IS militants on 29 November released two federal security guards in a rural area in northern Salahaddin province after a reported ransom of USD 40,000 was paid. They had abducted the pair in late May 2020 as they protected electricity pylons in the northern oil-rich province of Kirkuk. In early June, the militants had called the father of one of the victims and demanded USD 150,000 for the release of the two hostages, threatening to kill them if the money was not paid. With fragmented state security provision, and security forces distracted by civil unrest in the southern states and the ongoing COVID-19 pandemic, IS will look to exploit any security vacuums that arise.



36%
of abductions
happened in
transit



78%
of abductions
resolved in less
than 8 days



6
sectors
affected

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Focus on: Special Risks Analyst Picks in 2021

Shifts in kidnapping and extortion trends have historically been slow and subtle, driven by the fluid nature of the socio-political, security and economic drivers that underpin them. However, the stresses of the COVID-19 pandemic in 2020 caused more rapid changes. India saw a V-shaped kidnap bounce in 2020, while cases in Nigeria more than doubled and Haiti again became a kidnap hotspot. Control Risks' team of Special Risks analysts has been tracking kidnapping and extortion trends closely in 2020. Building on our analysis from last year, we have identified five things to watch for special risks in 2021:

-  **1 Threat and extortion increasingly taking precedence**
-  **2 The economy and kidnapping: new targets, new kidnapers**
-  **3 Return of global mobility**
-  **4 The long arms of Iran**
-  **5 Nigeria and the Gulf of Guinea: from bad to worse**

Threat and extortion increasingly take precedence

Threat and extortion cases will increasingly dominate the special risks environment in the coming year. These types of case made up 70% of Control Risks' casework in 2020, up ten percentage points on 2019. Underpinning this in real terms was a 10% increase in the number of threat and extortion cases we responded to over 2020.

We anticipate a further rise in cases in 2021. The COVID-19 pandemic has played into the hands of extortionists who prefer to operate remotely. As the world moved online, they were able to use 2020 to build and hone their skills and techniques. This approach has already paid dividends, and extortionists will seek to improve on it in the year ahead.

The economy and kidnapping

The COVID-19 pandemic has wreaked havoc on economies around the world, and organised crime groups have been feeling the pinch. These groups will rely more than ever on kidnapping as a revenue stream, and will need to ramp up their efforts if they are to compensate for and insure against lost revenue from other quarters. Drug trades have fallen with the closure of entertainment venues and many small businesses are closing their doors for the last time, reducing the pool of targets for extortion. Increasing revenue from kidnapping is not a simple matter of holding out for higher payments. Families can only pay what they have. Kidnappers must choose between targeting more of their typical victims (usually local national business owners and those from lower-to-middle income groups), targeting new demographics (leaning more towards the middle-to-higher income groups and foreigners), or targeting larger groups of victims, putting pressure on employers to pay ransoms on behalf of multiple families.

Economic pressures on previously law-abiding individuals are also creating novice kidnappers. This trend has already been noted in some areas, with India the main country to watch in 2021. There has been an increase in media reporting of cases involving perpetrators who have lost their jobs and been forced to engage in kidnapping to pay off loans or subsist. Inexperienced kidnappers will pose a far greater threat to the safety of their victims. These kidnappers are prone to panic and dispose of victims if they sense the police closing in.

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Focus on: Special Risks Analyst Picks in 2021

The return of global mobility

As internal and international mobility restrictions are relaxed and people ramp up travel for business or pleasure, this will recreate the perfect environment for express and virtual kidnapping. Both crimes have declined during the pandemic. Express kidnapping largely relies on targeting people on the streets, while virtual kidnappers prey on hotel guests or the fact that families are apart from each other in the course of a normal day. Perpetrators will have had time to develop new tactics to lure victims, many of which will only become clear as travel resumes. Then, their target pool will be made up of people who have spent the last year in the familiar environment of home, and who may have let their guard down amid the newfound novelty of travel. Companies must mitigate this risk by ensuring employees are re-educated on security awareness.

The long arms of Iran

Amid new US sanctions, and following the one-year anniversary on 3 January of the US's targeted killing of top Iranian commander Qasem Soleimani in Iraq, Iran is our fourth top pick to watch. The country has long arms where special risks are concerned. In the year ahead we expect to see Iran provocatively detain more vessels, arrest more Western and dual Iranian nationals on spurious charges, and carry out more extraterritorial detentions and executions of dissidents. Through its proxies, we expect to see a renewed focus on revenge for the killing of Soleimani and Iran-backed militia leader Abu Mahdi al-Muhandis. This could expose Western, particularly US, nationals to a heightened kidnap threat. Iran will also continue to have a hand in regional conflicts such as those in Syria and Yemen, with kidnapping and detention remaining a significant feature in both.

Nigeria and the Gulf of Guinea: from bad to worse

Nigeria is our fifth top pick, proving that even countries with an established kidnap threat can still deliver surprises. We recorded a 107% increase in onshore kidnaps in Nigeria in 2020. In real terms, this amounted to an average of around two kidnaps recorded per day, but chronic underreporting means this figure is likely to be much higher. Given that the socio-political, security and economic challenges that underpin the threat in Nigeria are likely to persist, it is clear that the risk to employees is rapidly increasing from a high baseline as we head into 2021.

We also anticipate that offshore kidnapping will remain prevalent in 2021. Following a series of counterpiracy operations by security forces around the gulf, commentators in the summer of 2020 speculated that pirates had been subdued, but the 51 victims taken from eight vessels in November and December alone suggest the opposite. We expect a steady stream of cases throughout the year, while pirates will ramp up operations when the Harmattan hits and reduced visibility aids their operations.

2021 through a long-COVID lens

Amid rising levels of extortion, a kidnap bounce-back, renewed travel, political tensions with Iran and the evolving landscape in special risks hotspots, 2021 is shaping up to be a challenging year for employers looking to mitigate these risks. With many issues competing for risk managers' attention, it is critical that familiar perils like kidnapping and extortion, previously often pegged as high impact/low probability, are revisited through a fresh, long-COVID lens.

Should you wish to discuss any of the analysis in this report, or Control Risks' Response services, please contact SpecialRisksAnalysis@controlrisks.com

If you would like to provide us with feedback on The Special Risks Report or inform us of your interest in a specific country or theme that you would like us to cover in a subsequent issue, please write to kr.guernsey@hiscox.com

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