

Protecting Corporate America Against Terrorism

Risk consultants seek growth by marketing.

By SAM PASSOW

CONTROL Risks Ltd. has a warning for big Los Angeles corporations: Beware of the potential for terrorism during this summer's Olympic Games there.

"We would not like to exaggerate the threat," said Karl D. Ackerman, a director of the London-based company, "but if anybody is going to seize an event to launch an attack on the U.S., then the Olympics will be a damn good site."

Mr. Ackerman, a former director of security at the State Department, makes this statement with what sounds like the detachment of a diplomat analyzing a volatile political situation. But that was a former life. These days Mr. Ackerman, a rugged-looking six-footer, is selling hard for Control Risks, a security consulting firm seeking new revenue.

His latest product is an \$1,800 service that Control Risks is offering to Los Angeles-based multinationals during the Olympic Games in July. For that sum, Mr. Ackerman says, Control Risks will provide daily intelligence reports on potential terrorists prowling L.A. streets. It will also tell

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the corporation how to avoid becoming the victim of a terrorist act during the Games, such as the kidnapping of a top executive.

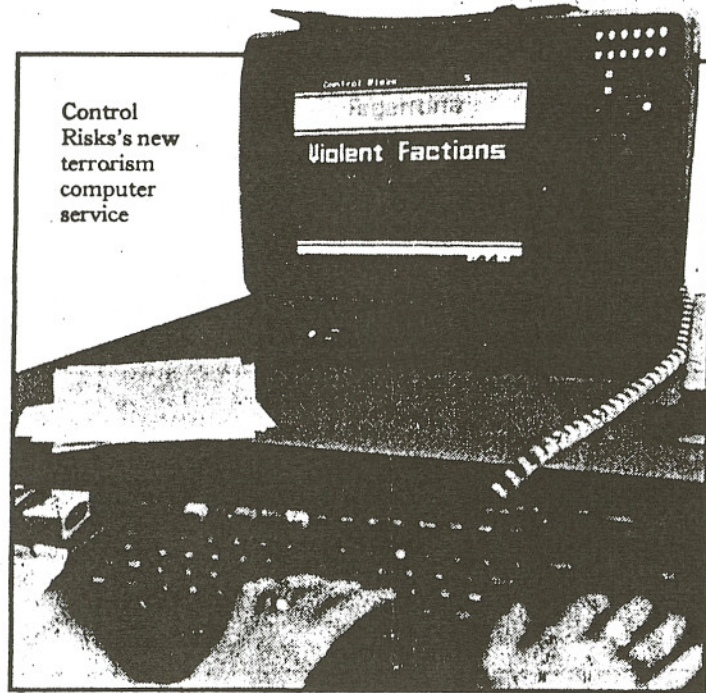
That all sounds alarmist, but Mr. Ackerman said there have been several takers among Fortune 500 companies in Los Angeles, although he won't name them. His sales campaign is not atypical of the goings-on these days in the competitive world of risk consulting, an often secretive growth industry. It was born during the 1970's when terrorism — especially kidnappings — frightened many multinational corporations into buying ransom insurance. The insurance companies, in turn, paid security consultants like Control Risks to tell corporations how to avoid becoming the victims of terrorism. Today, the field is dominated by Control Risks and Ackerman & Palumbo Inc., a Miami-based firm. They are energetic rivals as they seek to increase the \$4 million in annual revenues that each claims to earn. And they are branching into such new fields as corporate mergers and security against computer theft.

Ackerman & Palumbo and Control Risks have

different styles, of course. While Mr. Ackerman was describing the potential for terrorism during the Olympics and the advantages of Control Risks' \$1,800 Olympic service, Louis F. Palumbo, a co-founder of Ackerman & Palumbo, was throwing cold

water on his sales pitch.

"Some of our clients have expressed concern," said Mr. Palumbo, "but I tell them I believe that the state and Federal people are dealing



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with it properly."

Adds his partner, E.C. Ackerman, known as Mike (no relation to Control Risks' Mr. Ackerman): "If anything, we err on the side of caution, otherwise we would blow our credibility. Right now, I would only take moderate precaution in Los Angeles."

The push for new business reflects the fact that most major corporations already have kidnap and ransom insurance, and the consulting services that go with it. So the consultants are branching out into new areas, trying to convince corporations, for instance, that hostile takeovers pose as serious a threat as a kidnap plot.

In one case last year, an American corporation faced a hostile takeover by a group of wealthy Latin American executives. Ackerman & Palumbo said that it helped to fend off the bid by uncovering the executives' questionable land holdings in South America and shady business deals in Western Europe — information the consultants say was used successfully to persuade an American court to block the takeover.

Control Risks, meantime, will soon offer a computer service to give multinational companies access to up-to-the-minute C.I.A.-style reports on the relative dangers in some 80 countries. An executive will be able to use the office computer terminal to read confidential data filed by operatives — ex-diplomats, executives or academics — who work for the consulting group on a retainer.

That sort of information is now delivered in sealed envelopes. Ackerman & Palumbo professes satisfaction with this more traditional method of issuing its periodic reports. In rejecting a computer network, it

has warned clients that outsiders might tap into the system.

Control Risks acknowledges the danger, and last year hired two experts to explore possible safeguards.

"As the computer becomes more commonplace," says Arish R. Turle, 45, the company's managing director, "executives will have to give as much thought to the protection of information as they do their personnel."

As Mr. Turle suggests, the changing nature of corporate threats. According to the Rand Corporation, international terrorism is increasing at a rate of 17 percent a year. But while the number of violent attacks has risen, corporate kidnappings and ransom demands have dropped sharply. Of the 712 terrorist incidents directed against businesses in 1983, only 49 involved kidnappings, according to a recent study by the Public Policy division of Business International, a New York-based research firm for multinational corporations. The ransom demands in those kidnappings totaled only about \$60 million, a startling decline when compared with the \$62 million ransom an Argentine grain company paid in a single 1970s incident involving the kidnap of two top executives.

The decline is significant to the consulting groups, both of which have depended on retainers from insurance companies for advising clients on anti-kidnapping measures. In fact, Control Risks was created in 1975 as a subsidiary of a British insurance company, the Hogg-Robinson Group. As the demand for kidnap and ran-

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som insurance grew, the Control Risks staff did, too — from three in 1975, to 20 by 1979. Most of the senior personnel came from either the Special Air Services (the elite British Army counter-terrorist unit), or M.I. 5, England's equivalent of the Federal Bureau of Investigation.

In April 1982, the company broke away from Hogg-Robinson and became an independent consulting group, under the direction of Mr. Turle, an 18-year Army veteran who had directed the British Army hostage rescue team in Northern Ireland. Sixty percent of its revenue, however, comes from insurance retainers from Lloyd's of London.

Today the firm says it has nearly 500 clients worldwide and 65 staff members in London — as well as eight staffers, four of them American, in a Bethesda, Md., branch office.

Ackerman & Palumbo, a private partnership associated with the Chubb Corporation, the big American insurance firm, was created in 1977, when the two founders, both former C.I.A. staff members, were asked by a group of companies with dealings in Puerto Rico to determine whether the death of a prominent labor leader

there would cause labor troubles.

From then on, word-of-mouth recommendations helped propel business, along with retainers from Chubb. Today, the firm says it has more than 200 clients and a full-time staff of 30, 12 of whom once worked for the C.I.A.

THE intelligence services of the two rivals appear to match those of many governments around the world. And the firms promote their prowess to potential clients.

For example, Ackerman & Palumbo claims to have warned clients in September 1978 about the growing turmoil in Iran, advising American businessmen to leave that country. The Shah's Government collapsed in February 1979 and the Ayatollah Ruhollah Khomeini forced many companies that had backed the Shah to abandon their Iranian operations.

For its part, Control Risks claims to have told a major oil company, in a report on the Middle East in December 1981, the date within a week of the Israeli invasion of Lebanon, which occurred in June 1982. And the firm says that four days before United States Marines invaded Grenada, it warned clients of the invasions

Such claims are difficult to verify since the consultants will not identify their clients, for security reasons.

Ackerman & Palumbo charges \$750 a day plus expenses for preventive services, such as anti-kidnap advice, and this accounts for half of their revenues. When a corporate executive is in fact kidnapped, the two firms advise on the ransom negotiations, for \$1,500 a day, plus expenses, including delivery of a ransom payment, if necessary; Control Risks' fee is \$1,200, but it won't deliver ransoms or have any contact with kidnapers.

Control Risks says it has handled 85 kidnap cases; Ackerman & Palumbo claims to have consulted in 20.

Ackerman & Palumbo also gets \$4,200 a year for its information and forecast service, which covers some 50 countries. The company says 100 of Fortune's 500 subscribe to it, and it generates about 20 percent of the firm's revenue.

At Control Risks, the \$3,500 information service, with 250 clients, also generates about 20 percent of the revenue, while the insurance subsidies account for about 60 percent. The rest comes from uninsured companies or from clients who pay a daily fee of \$500 for prevention advice. ■

At one organization, the employees who would be covered under a new ransom insurance plan were given a choice about what kind of policy they wanted.

"They sat us all down in an office meeting," one woman at the organization recalled. "Then they said, 'We've got some news for you. We're deciding on a new insurance plan and it involves your trips to Latin America.'

"My first thought was that I would start carrying a ransom insurance I.D. card, telling what our deductible was. Instead, they gave us a choice of two kinds of policies.

"One offered a SWAT team that would come in and rescue us if we were kidnapped, and the other would just pay the ransom at first request. It wasn't a very hard choice. All four people who would be covered wanted the payout plan."

Does the idea of ransom insurance make her feel safer?

A little, she says. "Now if they go tell my boss I've been kidnapped, he won't say, 'Who's she?' He'll know what to do — call the insurance company."