

UK and European Insurance Companies Should Beware of Breaching OFAC Sanctions with Blanket Global Policies and Reinsurance Policies

Submitted by: Devonshire Marketing Consultants Limited

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Do not underestimate reach or accountability of OFAC sanctions, warns Datanomic

UK and European insurance companies are being strongly urged to review their global policies to ensure they do not breach legislation created by the US Treasury Department's Office of Foreign Assets Control (OFAC) and risk incurring multi-million dollar penalties, according to fit-for-purpose data and compliance screening specialists, Datanomic Ltd. Whilst insurers are used to dealing with industry regulations intended to improve business practices, many underestimate or do not fully understand the global reach of OFAC sanctions. OFAC is holding insurers accountable on a strict liability basis for both their own trading practices, as well as their customers' trading practices, if either violates sanction and embargo rules.

However remote the link, if a policy is deemed to facilitate a prohibited transaction, it violates the sanctions control. A policy that has no explicit connection to any sanctioned country, entity or individual, but provides blanket geographic coverage – for example to an airline whose routes includes stops in Cuba, or a hotel chain that has a property in Iran - could still present a risk to the insurance company. To comply with US sanctions requirements, insurers must make sure that policies that otherwise provide worldwide coverage contain explicit exclusions for proscribed beneficiaries or prohibited transactions. OFAC notes that such exclusions are of particular importance in treaty reinsurance, where the reinsurer does not control the selection of individual risks that will be ceded.

“Every single insurer should have a compliance officer who understands the full breadth and reach of OFAC's regulations,” said Dr Jonathan Pell, CEO of Datanomic. “Understanding how your company potentially interacts with these requirements is paramount. A good compliance program will include a formal written policy as well as regular screening against the current OFAC list. Having a strong compliance program in place not only helps avoid violations, but it can also play a major role in helping to mitigate the consequences should a breach occur. In past enforcement actions, OFAC has viewed the strength of a company's commitment to compliance as a major factor in assessing the appropriate severity of a penalty. It's time for all insurers to be asking themselves if their compliance program can withstand OFAC's scrutiny.”

To address these issues, Datanomic's dn:Director Sanctions & PEP Screening software enables organisations to rigorously and systematically screen their customers against Sanctions, PEP, money laundering, terrorist financing and other risk data sources. Industry-leading accuracy and Datanomic's unique 'Decision Intelligence' drive down compliance costs by reducing the burden of false positives. End-to-end data preparation, case management, workflow, auditability and reporting tools ensure that businesses are protected from compliance risk. Datanomic is offering a free Data Assessment Workshop for insurers which provides an in-depth analysis of your client data to identify potential weaknesses in meeting and fulfilling compliance requirements. More information about the Data Assessment Workshop can be found at:

<http://www.datanomic.com/screening-data-assessment/>

About Datanomic

Datanomic's holistic approach to delivering fit-for-purpose data and screening accuracy enables its growing list of blue chip clients around the world to achieve a rapid Return on Investment, by exposing and correcting deficiencies in information their businesses rely upon, and by discovering potential regulatory and legislative compliance data issues in line with proactive risk management. Our clients come from a wide spectrum of industries including financial services, telecommunications, government, healthcare, utilities, professional services and engineering. www.datanomic.com

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