

## CLIENT ALERT

### Iran Sanctions Enforcement and Reinsurance

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In the first publicly-announced resolution of an enforcement action involving the reinsurance industry, the Office of Foreign Assets Control ("OFAC") yesterday announced a \$36,000 settlement with Aon International Energy, Inc. According to OFAC, Aon Energy "facilitated the placement of coverage and the payment of premiums for facultative retrocession reinsurance" related to petrochemical projects in Iran on Kharg Island. Aon Energy acted as a broker on behalf of a European reinsurance company in placing facultative retrocession reinsurance with two European retrocessionaires.

The announcement is important for a number of reasons. As the first enforcement action in the reinsurance industry, it reflects OFAC's longstanding interest in and focus on the industry. It is also likely to be the first of many actions involving reinsurance. As a facultative case, the Aon case illustrates perhaps the most straightforward application of OFAC's rules to reinsurance; in contrast to treaty-based reinsurance, facultative placement, in OFAC's view, permits US persons to manage OFAC risk directly. How OFAC addresses other aspects of the reinsurance industry will no doubt build on this case. OFAC has taken the position that parties to a treaty reinsurance contract can and should deal with trade restrictions by including specific geographic exclusions in defining the scope of the treaty.

From an enforcement policy standpoint, the case is of interest because OFAC noted in its announcement that the reinsurance transactions were "particularly harmful to the sanctions program," that it was not voluntarily disclosed, but that Aon Energy, under direction of its parent company, cooperated and "strengthened" its compliance program and its existing OFAC procedures. Finally, OFAC's announcement notes that Aon cooperated with OFAC and agreed to toll the statute of limitations.

For reinsurance compliance questions, please contact those listed below.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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