

## CLIENT ALERT

### OFAC Continues Iran Insurance Penalty Focus

Apr.29.2011

OFAC yesterday announced a \$38,444 payment in settlement of charges that HCC Insurance Holdings violated the Iranian Transactions Regulations when it "participated in the hull portion of an aircraft hull and liability insurance placement by a foreign insurance broker that insured a foreign-owned commercial airline that leased aircraft to an air charter company that operated in Iran."

This announcement is significant for several reasons. First, OFAC provided enough information in the press release to explain why this conduct was a violation, citing the fact that HCC knew or had reason to know that some of the insured aircraft would be operated in Iran and that the underwriting of this business "was harmful to the objectives of the Iranian sanctions program."

Second, it illustrates how OFAC expects insurance companies to comply with the sanctions regulations. Specifically, it demonstrates OFAC's expectations that those subject to US jurisdiction screen all transactions and refrain from participation in coverage that involves Iran (in this case OFAC observed that the insurance policy "would" not "could" cover aircraft flown into Iran, suggesting that there was no room for HCC to argue otherwise). Third, it illustrates the benefits of voluntary disclosure; the base penalty amount was \$59,960, meaning that the actual penalty was nearly half of the permissible base penalty. Finally, it illustrates OFAC's ongoing and increasing focus on the insurance/reinsurance industry. OFAC representatives have indicated more cases involving insurance and reinsurance issues are in the pipeline.

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

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