

## **ENFORCEMENT INFORMATION FOR DECEMBER 9, 2019**

**Information concerning the civil penalties process is discussed in OFAC regulations governing the various sanctions programs and in 31 C.F.R. Part 501. On November 9, 2009, OFAC published as Appendix A to part 501 Economic Sanctions Enforcement Guidelines. See 74 Fed. Reg. 57,593 (Nov. 9, 2009). The Economic Sanctions Enforcement Guidelines, as well as recent final civil penalties and enforcement information, can be found on OFAC's website at <http://www.treasury.gov/ofac/enforcement>.**

### **ENTITIES – 31 C.F.R. 501.805(d)(1)(i)**

#### **Chubb Limited (as Successor Legal Entity of the Former ACE Limited) Settles Potential Liability for Apparent Violations of the Cuban Assets Control Regulations:**

ACE Limited (“ACE”) was a Swiss company that provided insurance and reinsurance services for commercial and individual customers worldwide. In January 2016, ACE merged with Chubb Corporation to create Chubb Limited (“Chubb”), which is a Swiss holding company headquartered in Switzerland. Prior to the merger, ACE Group Holdings, Inc. was a subsidiary of ACE, and an insurance holding company incorporated in the United States (U.S.). Through a series of intermediate corporate entities, ACE Europe was a subsidiary of ACE Group Holdings, Inc. ACE Europe was domiciled in the United Kingdom (U.K.), and conducted business in Europe. As a subsidiary of a U.S. company, ACE Europe was subject to the Cuban Assets Control Regulations, 31 C.F.R. Part 515 (CACR). Chubb has agreed to remit \$66,212 to settle its potential civil liability for 20,291 apparent violations of the CACR.

The Office of Foreign Assets Control (OFAC) has determined that ACE made a voluntary self-disclosure of the Apparent Violations, and that these Apparent Violations constitute a non-egregious case. The total base penalty amount for the apparent violations was \$183,923.52.

Between January 1, 2010 and December 31, 2014, ACE Europe processed at least 20,291 transactions totaling \$367,847 in apparent violation of the CACR. This transaction total included 20,218 premium payments totaling \$287,292 that ACE received for Cuba-related travel insurance coverage of insureds' travel to Cuba, as well as 73 Cuba-related claims payments paid out under these coverages totaling \$80,555. The apparent violations appear to have been caused by ACE's misunderstanding of the applicability of U.S. sanctions on Cuba with respect to this activity.

ACE provided customers with travel-related coverage via individual travel insurance policies issued to a specific traveler, group travel related policies issued to a group policyholder extending coverage to the group's individual members or employees, and travel insurance policies provided at No Additional Charge (“NAC”) to a group policyholder to cover the group's individual members or customers. The coverages insured travel-related risks, including lost, damaged or delayed baggage or property, death benefits, medical expenses, repatriation of deceased, and trip cancellation or delay. The policies were sold through either direct sales by ACE or a third party.

Beginning in 2012, ACE Europe issued group travel policies to a European online travel agency (“European travel agency”), which sold global travel coverage to insureds. The insurance was provided

through master agreements that ACE negotiated with the European travel agency, with the travel agency's subsidiaries acting as group policyholders, and their travel clients acting as the individual certificate holders under the group policies. Under these arrangements, the European travel agency dealt with customers directly, with a third party agent processing claims. The European travel agency paid ACE Europe a pre-determined premium for each specific individual covered under the group policy. The European travel agency offered separate travel insurance products that provided global travel coverage for flight or hotel cancellation that may include medical expenses or lost baggage as well as the loss of connecting flights.

While global in scope, these policies did not contain a sanctions exclusionary clause, which is often inserted in global insurance policies as an explicit exclusion for risks that would violate U.S. sanctions law. In 2013, ACE Europe signed agreements with two additional subsidiaries of the European travel agency located in the United Kingdom. ACE authorized the European travel agency to issue individual policies to its travel clients for comprehensive or trip cancellation coverage. These individual policies also provided for global coverage without sanctions exclusionary clauses.

ACE noted the lack of a sanctions exclusionary clause resulted from ACE Europe's misunderstanding of how U.S. sanctions on Cuba applied to their activity. In March 2012, ACE Europe's branch in Spain sought guidance from its regional compliance team for Europe regarding the applicability of Cuba sanctions to the European travel agency's European travel customers. In response, the ACE Europe regional compliance team advised the ACE Europe branch in Spain that travel by the European travel agency's European customers was subject to and governed by the European Union's (E.U.) Anti-U.S. Sanctions Blocking Regulation. Therefore, although it provided global coverage, the European travel agency's policies did not contain sanctions exclusionary clauses. ACE Europe represented that it believed coverage could be provided if the risk of violating U.S. sanctions involved a *de minimis* portion of the portfolio, and the E.U.'s Anti-Blocking Regulation prevented enforcement of the U.S. sanctions regulations related to Cuba.

Finally, although the relevant transactions primarily involved the European travel agency, ACE identified additional transactions, to a lesser extent, from other group, individual, and NAC group policies that also appeared to violate CACR.

By providing this coverage and engaging in these transactions, ACE appears to have violated section 515.201 of the CACR, which prohibits persons subject to the jurisdiction of the United States from engaging in transactions in which Cuba or a Cuban national has an interest.

The settlement amount reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors under OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. Part 501, app. A.

The following were considered aggravating factors:

- (1) ACE failed to implement adequate internal controls, including failing to use sanctions exclusionary clauses in its global policies, to mitigate the sanctions compliance risks inherent in issuing insurance policies that covered Cuba-related travel;
- (2) Certain ACE Europe's business leaders and their regional legal and compliance team had knowledge of the issuance of policies covering travel to Cuba and reason to know of the U.S. sanctions against Cuba but failed to insert sanctions exclusionary clauses based on its erroneous legal conclusions relating to the E.U.'s blocking regulation and the *de minimis* exposure presented by the Cuba policies;
- (3) The activity described resulted from a pattern or practice spanning several years;
- (4) ACE conferred economic benefit to U.S. sanctioned parties, and caused harm to the integrity of U.S. sanctions programs, including their associated policy objectives by enabling and supporting individuals' ability to travel to Cuba through the provision of travel insurance coverages, and the payment of claims under the coverages;
- (5) ACE is a large and commercially sophisticated financial institution.

The following were considered mitigating factors:

- (1) Many of the transactions at issue in this case would have been authorized by general license had they occurred on or after January 16, 2015, the date on which OFAC issued certain amendments to the CACR that authorized certain Cuba travel-related insurance activities;
- (2) ACE has not received a penalty notice or Finding of Violation from OFAC in the five years preceding the date of the earliest transaction giving rise to the apparent violations;
- (3) ACE cooperated with OFAC's investigation into these apparent violations, including by voluntarily self-disclosing the apparent violations to OFAC, conducting a transaction review, responding to OFAC's requests for information, and entering into a statute of limitations tolling agreement with multiple extensions;
- (4) The compliance deficiency that enabled the apparent violations appears to have been concentrated within a single ACE operating entity, and does not appear to have been widespread throughout the overall ACE organizational structure;
- (5) In response to the apparent violations (which ACE management was alerted to after ACE Europe personnel raised questions following a sanctions compliance training), ACE represented that it has implemented remedial actions and instituted numerous compliance policy, procedure and training enhancements across its global operations, including:
  - Hiring a Global Financial Crime Risk Officer;
  - Conducting a comprehensive risk assessment across the Europe, Eurasia, and Africa regions; and
  - Developing a sanctions risk assessment methodology to identify potential gaps, and to drive future remediation work and improvements.

This enforcement action underscores: the applicability of U.S. sanctions to certain foreign-based entities; the importance of incorporating sanctions exclusionary clauses to mitigate potential sanctions violations; and the significance of maintaining robust internal controls and training practices designed to identify and prevent potential sanctions violations before they occur.

For more information regarding OFAC regulations, please visit: <http://www.treasury.gov/ofac>.