

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)

Allianz Global Risks US Insurance Company Settles Potential Liability for Apparent Violations of the Cuban Assets Control Regulations: Allianz Global Risks US Insurance Company (“AGR US”) is a Chicago-based property casualty insurer and a wholly owned subsidiary of Allianz SE (“Allianz”), a German financial services provider organized under the laws of the European Union and Germany. AGR US operates AGR Canada (“AGR Canada”) as a Canadian branch office in Toronto, Canada. AGR US has agreed to remit \$170,535 to settle its potential civil liability for 6,474 apparent violations of the Cuban Assets Control Regulations (“CACR”), 31 C.F.R. Part 515.

The Office of Foreign Assets Control (OFAC) has determined that AGR US voluntarily self-disclosed the apparent violations and that these apparent violations constitute a non-egregious case. The total base penalty amount for the apparent violations was \$270,690.90.

Between August 20, 2010 and January 15, 2015, AGR Canada fronted travel insurance policies that included occasional coverage relating to Canadian residents' travel to Cuba. “Fronting” insurance business involves an arrangement between two or more insurance companies to allow a company to issue a policy in a jurisdiction where it is not licensed. The insurance policies fronted by AGR Canada consisted of two types of insurance policies sold to Canadian citizens and residents covered by Canadian health plans: first, insurance coverage for an individual trip that would be in effect for 30 days for the specific trip (e.g., a single trip to Cuba), and second, insurance coverage that would be in effect for a full year and provide coverage for every trip taken during that time (e.g. covering multiple trips to several countries, including one or more trips to Cuba). The travel insurance policies covered reimbursement for eligible emergency medical expenses while out of country and non-refundable expenses resulting from trip cancellation, delay, or interruption due to specified categories of events.

A Canadian underwriting manager operating separately from AGR Canada underwrote, marketed, and serviced the insurance policies. Neither the underwriting manager nor AGR Canada collected information regarding the travel destination upon policy issuance. A travel destination was only disclosed to the underwriting manager in instances where emergency medical assistance was required, a claim was submitted, or a coverage inquiry was received disclosing the destination. AGR Canada received only a quarterly summary premium and claims information. Travel destination information was not included in that summary.

Despite learning on at least one occasion during the relevant period that AGR Canada was issuing insurance policies related to travel to Cuba, this practice continued for several years without either AGR US or AGR Canada addressing its requirements to be in compliance with OFAC regulations.

The policies resulted in the processing and reimbursement of 864 Cuba-related claims totaling CAD 532,200.35 (approximately \$518,092), and the collection of CAD 30,599.61 (approximately \$23,289) in premiums. Despite AGR Canada's status as a person subject to the jurisdiction of the United States as defined by section 515.329 of the CACR, 31 C.F.R. Part 515 and communications with the underwriting manager early in the relevant period that referenced Cuba-related coverage, AGR US does not appear to have taken steps or implemented adequate controls to prevent the fronting of Cuba travel policies issued during this period. AGR US did not initiate an internal investigation until 2014, which resulted in the self-disclosure.

By insuring non-Cuban travelers to Cuba, AGR Canada enabled travel to Cuba by persons that might otherwise not have traveled to the country, thereby bringing revenue and funds to Cuba, including the Cuban government that may not have otherwise flowed at a time when such activity was prohibited.

By providing this coverage, AGR Canada 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 CACR were amended on January 16, 2015 to authorize pursuant to § 515.580 the issuance of global travel insurance policies that include coverage for travel to and from Cuba.

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) AGR US failed to exercise a minimal degree of caution or care in allowing its Canadian branch, AGR Canada, to front travel insurance policies covering travel to Cuba for a period of almost five years;
- (2) AGR US and AGR Canada failed to address or further investigate the issuance of insurance policies related to Cuba travel in response to several notifications in 2010 that constituted notice that AGR Canada was providing prohibited coverage;
- (3) AGR US and AGR Canada appear to have ignored warning signs and continued this pattern of conduct for several more years;
- (4) Both AGR US and AGR Canada had actual knowledge of the Cuba-related coverage as early as 2010;
- (5) By fronting travel insurance policies and providing coverage to individuals traveling to Cuba, AGR Canada provided economic benefit to Cuba and caused harm to the integrity of the CACR, and their associated policy objectives; and
- (6) At the time of the apparent violations, AGR US and AGR Canada did not maintain specific OFAC Compliance procedures related to the fronting of travel insurance policies.

The following were considered mitigating factors:

- (1) It does not appear that any supervisory or managerial level staff at AGR US or AGR Canada were aware of the conduct;
- (2) AGR US has not received a finding of violation or penalty notice from OFAC in the five years preceding the earliest date of the transactions giving rise to the apparent violations in this

matter;

- (3) In response to the apparent violations described, AGR US stated that it undertook steps to enhance its OFAC compliance program, including the establishment of oversight processes and by hiring a full-time legal and compliance officer for AGR Canada in order to address the compliance risks posed by the branch; and
- (4) AGR US cooperated with OFAC by voluntarily self-disclosing the apparent violations, entering into and extending a statute of limitations tolling agreement, and providing document productions that were well-organized. Further, AGR US facilitated OFAC's review of the relevant information and documentation related to the investigation.

Furthermore, AGR US enhanced sanctions compliance and oversight by incorporating compliance reviews within its product development procedures, which requires all new or revised products and programs to undergo and obtain compliance review and approval.

This enforcement action draws particular attention to the importance of risk assessments in determining which financial products can be offered by persons subject to U.S. jurisdiction in the context of OFAC-administered sanctions programs. The enforcement action also highlights the need for, and importance of, internal controls, policies, and procedures in detecting and preventing potential violations of this nature in a timely manner.

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