



DEPARTMENT OF THE TREASURY
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OFAC Settles with Privilege Underwriters Reciprocal Exchange for \$466,200 Related to Apparent Violations of the Ukraine-/Russia-Related Sanctions Regulations

Privilege Underwriters Reciprocal Exchange (PURE), an insurance organization based in White Plains, New York, that primarily offers insurance policies and coverages for luxury homes, automobiles, art collections, jewelry, and watercraft, has agreed to pay \$466,200 to settle its potential civil liability for 39 apparent violations of OFAC's Ukraine-/Russia-Related sanctions. Between May 2018 and July 2020, PURE engaged in transactions related to four insurance policies involving a blocked Panama-based company owned by Specially Designated National Viktor Vekselberg (Vekselberg). The settlement amount reflects OFAC's determination that PURE's apparent violations were not voluntarily self-disclosed and were non-egregious.

Description of the Apparent Violations

In 2010, PURE issued a private fleet auto insurance policy, a jewelry and art insurance policy, and two high value homeowners insurance policies to Medallion, Inc. (Medallion), of Panama. The four policies were renewed annually thereafter. Email correspondence from January 2010 demonstrates that PURE's Underwriting Manager was aware that the insurance policies provided coverage for Vekselberg's property. Additionally, Vekselberg was identified as Medallion's sole shareholder on a February 24, 2010 response to a form questionnaire PURE used to confirm that the insured properties were not used for commercial purposes. At the time the four policies were issued, neither Medallion nor Vekselberg was subject to U.S. sanctions.

On April 6, 2018, OFAC added Vekselberg to OFAC's List of Specially Designated Nationals and Blocked Persons pursuant to Executive Order (E.O.) 13662.¹ OFAC's 50 Percent Rule² states that property and interests in property of entities directly or indirectly owned 50 percent or more in the aggregate by one or more blocked persons are considered blocked. Accordingly, as an entity owned by Vekselberg, Medallion became a blocked person on April 6, 2018, and remained so for the rest of its relationship with PURE.

PURE collected 38 premium payments totaling \$308,391 between May 1, 2018 and July 24, 2020 for the four policies. In addition, PURE paid a \$7,500 claim related to one of the policies on July 22, 2020. PURE's underwriters failed to upload the shareholder information from the corporate disclosure statement into PURE's underwriting systems where corporate ownership information is stored. Further, at the time Medallion was onboarded in 2010, there was not a requirement for prospective non-U.S. policy holders to be escalated for review and approval by PURE's management and compliance staff.

¹ Vekselberg was redesignated pursuant to E.O. 14024 on March 11, 2022, after the period relevant to PURE's apparent violations.

² OFAC, [Revised Guidance on Entities Owned by Persons Whose Property and Interests in Property are Blocked](#) (Aug. 13, 2014).

In engaging in 39 transactions totaling \$315,891 with a blocked person between May 2018 and July 2020, PURE apparently violated the Ukraine-/Russia-Related Sanctions Regulations, 31 C.F.R. § 589.201(a)(4)(iii) (the “Apparent Violations”).

Penalty Calculation and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$13,906,581. OFAC determined that the Apparent Violations were not voluntarily self-disclosed and were non-egregious. Accordingly, under OFAC’s Economic Sanctions Enforcement Guidelines (Enforcement Guidelines), the base civil monetary penalty amount applicable in this matter equals the applicable schedule amount as defined in the Enforcement Guidelines, which in this case is \$666,000. The settlement amount of \$466,200 reflects OFAC’s consideration of the General Factors under the Enforcement Guidelines.

OFAC determined the following to be **aggravating factors**:

- (1) PURE failed to exercise due caution or care for its sanctions compliance obligations when it did not ensure ownership information about a customer was incorporated into its sanctions screening program. Even after relevant sanctions expanded and OFAC published its guidance on the 50 Percent Rule in 2014, PURE took no subsequent due diligence or other measures to identify this gap until it received a government inquiry in 2022. This resulted in PURE’s providing services to a blocked person for more than two years.
- (2) PURE had reason to know it was receiving premium payments from and providing coverage to, and thus dealing with, a blocked person. In 2010, Medallion’s ownership information was provided to PURE. PURE should have understood the connection between its customer and the customer’s designated owner.
- (3) PURE paid a \$7,500 claim to a blocked person, and for more than two years provided insurance coverage to and collected 38 premium payments totaling \$308,390 on behalf of a blocked person, thereby providing an economic benefit to a sanctioned person.

OFAC determined the following to be **mitigating factors**:

- (1) OFAC has not issued a Finding of Violation or Penalty against PURE in the five years preceding the first apparent violation noted herein.
- (2) PURE undertook several remedial measures, including screening its entire customer base through two third-party vendor tools, and requiring its underwriting department to upload all potential or existing customers’ corporate disclosure statements into PURE’s system and escalate any applications involving a non-U.S. entity for review and approval by PURE’s management and compliance staff.
- (3) PURE cooperated with OFAC’s investigation by providing information and timely responses to OFAC. PURE also signed a tolling agreement.

Compliance Considerations

This case demonstrates the importance of implementing and maintaining effective, risk-based sanctions compliance controls. Such controls should capture and incorporate all relevant available information to conduct responsive and regular screening, including risk-based steps to comply with OFAC's 50 Percent Rule and to account for changes to applicable sanctions. Such changes, including updates to OFAC's SDN List, can occur regularly.

Finally, as sanctions programs are updated, it is important that companies continually reassess their risk in light of their customer profile, lines of business, and other criteria. A risk assessment should generally inform the extent of the due diligence efforts at various points in a relationship or in a transaction. Controls that were adequate at one point in time may not remain sufficient when new sanctions are imposed or existing sanctions are modified.

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) (Framework) to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States or U.S. persons, or that use goods or services exported from the United States, with OFAC's perspective on the essential components of a sanctions compliance program. The Framework also outlines how OFAC may incorporate these components into its evaluation of apparent violations and resolution of investigations resulting in settlements. The Framework includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

Information concerning the civil penalties process can be found in the OFAC regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent final civil penalties and enforcement information, can be found on OFAC's website at [Civil Penalties and Enforcement Information | Office of Foreign Assets Control \(treasury.gov\)](#).

For more information regarding OFAC regulations, please go to: [Home | Office of Foreign Assets Control \(treasury.gov\)](#).