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American Life Insurance Company Settles with OFAC for $178,421 Related to Apparent Violations of Iranian Transactions and Sanctions Regulations

American Life Insurance Company (ALICO), a Delaware subsidiary of MetLife, Inc. that offers group and individual insurance globally, has agreed to pay $178,421 to settle its potential civil liability for apparent violations of OFAC sanctions on Iran. From February 23, 2022 to August 14, 2023, ALICO issued group medical and life insurance policies, collected premiums, and paid claims to several schools and entities located in the United Arab Emirates and owned or controlled by the Government of Iran. ALICO processed 2,331 premiums and claims under these policies totaling $446,077. The settlement amount reflects OFAC's determination that ALICO's apparent violations were non-egregious and voluntarily self-disclosed.

Description of the Apparent Violations

Insurance Policy for Entity Owned or Controlled by the Government of Iran

On February 13, 2023, an ALICO sales agent in the United Arab Emirates (UAE) internally requested a quote for a customized group policy for an entity owned or controlled by the Government of Iran (GOI) ("the Entity"). Responding to the request, ALICO collected Know Your Customer (KYC) information, including the Entity's trade license issued by the Government of Dubai. The license read in Arabic that the owner of the Entity was the Iranian embassy and listed the "manager" as a named individual.

ALICO's sanctions screening of the Entity in mid-March 2023 generated alerts, but ALICO cleared the alerts as false positives because the Entity itself was not on the List of Specially Designated Nationals and Blocked Persons (SDN List). However, ALICO's screening did trigger a Politically Exposed Person (PEP) alert due to its ownership by the Iranian embassy, which was escalated to the ALICO Gulf Compliance team (Compliance) for review in accordance with ALICO's standard practice and procedure. On March 22, 2023, a Compliance team member escalated the matter to MetLife's Global Anti-Financial Crimes Unit (AFCU), which directed ALICO not to onboard the Entity because of its Iranian embassy ownership. On March 23, 2023, ALICO Sales Management passed this information to the sales agent and rejected the application.

Seven days later, the same sales agent requested a new quote, this time via an alternative channel. This time, he did not request a customized policy, but instead sought a pre-packaged policy through a third-party administrator in the UAE through which ALICO outsourced administration of certain products. The agent uploaded the onboarding documents to the third-party administrator's portal, including a trade license. This trade license copy, however, despite having the same print date as the previously submitted license, named the same individual referenced above as the manager but this time listed no owner, Iranian embassy or otherwise.

ALICO again performed its sanctions screening and the same alert on the Entity's full name resulted in the same disposition. But without any references to the Iranian embassy there were no other alerts, and there was no system in place to flag applications that had previously been rejected. As a result, the alert was not escalated, and ALICO issued the policy to the Entity.

Policy for an Iranian School

Around the same time, the agent also submitted to ALICO's underwriting department a request for a customized policy, and to the third-party administrator a request for a pre-packaged policy, for a school in the UAE with "Iranian" in its name ("School 1"). Before he formally submitted these requests, the sales agent asked a sales manager to put the KYC documents—including an expired trade license for the school—through screening outside of the regular onboarding process to ascertain whether School 1 would trigger the same alert as the Entity. ALICO screened against the SDN and PEP lists outside of the regular onboarding process and conducted further diligence, but this did not generate any alerts. After additional diligence (including the regular screening as part of the onboarding process), the sales agent proceeded with processing the application. As the screening generated no alerts, ALICO approved the third-party administrator's issurance of the policy to School 1.

Several weeks later, School 1 attempted to pay the premiums for both the Entity and School 1 policies via a single check drawn on an account at Bank Melli of Iran, a blocked person. School 1 notified ALICO of the rejection, explaining that the payment was rejected by ALICO's bank because School 1's check was drawn on Bank Melli. The sales agent, at the request of the Entity and School 1, then asked ALICO to allow for payment of premiums in cash. ALICO reviewed the request, and re-screened the School 1 representatives and the individual who sought to facilitate the cash payment. There were no alerts, so ALICO accepted a cash payment of $78,143.36 on April 29, 2023. The policies for the Entity and School 1 were validated a few weeks later.

Discovery of Prohibited Policies

On May 22, 2023, as ALICO staff were preparing to post the premiums paid for the Entity and School 1 and issue a receipt, a team member requested up-to-date screening information. This reminded another team member that ALICO had previously rejected the Entity for a policy because the school was owned or controlled by the GOI, and they escalated the matter. On May 24, 2023, ALICO Sales Management questioned the sales agent about the rejection and subsequent application. The sales agent produced another trade license for the Entity, purporting to have just received it from the new owner (the named individual referenced above), who had been earlier identified as the person authorized to represent both the Entity and School 1. Review of this new trade license revealed that it likely had been manipulated: the text in the ownership section was distorted, the lettering in Arabic had been transposed, and the QR Code at the top of the license had been removed.

Subsequently, the AFCU launched a review, the sales agent resigned, and ALICO ultimately blocked and reported the policies to OFAC. The review found that in addition to the abovementioned policies, ALICO had also issued two group medical policies and one group life insurance policy to another GOI-owned or controlled school in the UAE ("School 2"). ALICO had reason to know of the GOI's ownership; during the onboarding process School 2 provided documents with letterhead showing "the Islamic Republic of Iran." The letterhead reference was not flagged at onboarding.

ALICO also twice directed the third-party administrator to stop paying claims on these now-suspended policies, but for several weeks backdated claims continued to be paid from the administrator's batch processing system, resulting in additional apparent violations.

Apparent Violations

In engaging in the conduct described above, ALICO provided insurance coverage to three policyholders that were owned or controlled by the GOI and therefore blocked. In doing so it received 15 premiums totaling $240,614 and paid out through the use of its UAE third-party administrator 2,316 claims totaling $205,463 from February 23, 2022 to August 14, 2023 associated with this coverage. This conduct resulted in apparent violations of the Iranian Transactions and Sanctions Regulations (ITSR), 31 C.F.R. §§ 560.204 (prohibited export of services to Iran), and .211 (prohibited transactions involving blocked property) (the "Apparent Violations").

Penalty Calculations and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is $858,125,016. OFAC determined that ALICO voluntarily self-disclosed the Apparent Violations and that the Apparent Violations constitute a non-egregious case. Accordingly, under OFAC's Economic Sanctions Enforcement Guidelines ("Enforcement Guidelines"), 31 C.F.R. Part 501, app. A, the base civil monetary penalty applicable in this matter equals one-half of the transaction value for each apparent violation, which in this case totals $223,038.

The settlement amount of $178,421 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

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

(1) ALICO failed to exercise due caution or care in complying with OFAC sanctions on multiple occasions, including when its onboarding processed failed to prevent policies being issued for GOI entities despite reason to know of their blocked status. In one instance when PEP screening worked effectively, the rejected applicant was able to successfully re-apply, notwithstanding prior guidance from ALICO's headquarters compliance department they should not onboard the client.

(2) ALICO had reason to know it was conducting transactions on behalf of, and providing coverage to, GOI entities. Information about the schools' relationship with the GOI, including GOI letterhead on documents, was provided to ALICO in the onboarding process. Moreover, School 1 notified ALICO that its payment by check was rejected because it had been drawn on GOI-owned and blocked person Bank Melli.

(3) ALICO provided coverage to and processed $446,038 in transactions on behalf of entities owned by the GOI for nearly 18 months, thereby assisting the GOI-operated educational institutions in the UAE.

(4) ALICO is a large, commercially sophisticated insurance provider headquartered in Delaware, owned by MetLife, and offers policies and coverages for individuals, groups, and businesses.

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

(1) OFAC has not issued a Finding of Violation or penalty notice to ALICO in the past five years.

(2) ALICO and MetLife implemented the following remedial measures:

- Enhanced screening designed to generate alerts when the name of a sanctioned country appears in the name of the entity.
- Enhanced onboarding process to track entities that were rejected based on sanctions compliance.
- Enhanced training and communications to regional businesses highlighting both list-based and country-based sanctions.
- Text for global sanctions training was updated to include explicit reference to prohibitions on direct and indirect dealings with governments of sanctions jurisdictions.
- The Gulf operations team performed a three-year lookback to identify group benefit applicants that were rejected or blocked for sanctions or PEP reasons, and created a spreadsheet to track these parties. The underwriting team now compares prospective customers to this list, and if there is a potential match, the matter is escalated to ALICO compliance staff for further review before approving the prospective customer.

(3) ALICO cooperated with OFAC's investigation by responding to OFAC's requests for additional information.

Compliance Considerations

This case demonstrates the importance of performing due diligence research on customers in countries with higher sanctions risk to ensure no customer is a blocked person, even if not specifically listed on the SDN List. The Government of Iran is blocked, but the SDN List does not list every Iranian government agency or official. Ensuring that KYC information is thoroughly reviewed is important to mitigate the risk of providing services to blocked persons.

Screening new and existing customers for additional risk factors can helpfully supplement screening against the SDN List. In this case, PEP screening flagged the Iranian embassy when a search against the SDN List did not.

Finally, companies should consider risks arising from arrangements involving business partners and other third parties, who may differ in their approach to compliance. Here, ALICO's third-party administrator continued to pay claims despite being told twice by ALICO to stop doing so because the policies had been suspended (and ultimately blocked). When outsourcing parts of the business, it is important to have effective controls that prevent further activity with blocked or otherwise sanctioned persons upon discovery.

This case also demonstrates the importance of having an internal process or system for flagging applicants who were previously rejected. An applicant determined (or an agent determined on the applicant's behalf) to obtain a policy might seek to disguise a sanctions reference to achieve a positive result. Institutions that have systems that watch for re-submitted applications or payments rejected for sanctions reasons may protect themselves better against sanctions risks.

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published A Framework for OFAC Compliance Commitments in order 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 Enforcement Guidelines. These references, as well as recent civil penalties and enforcement information, can be found on OFAC's website at https://ofac.treasury.gov/civil-penalties-and-enforcement-information.

Whistleblower Program

The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) maintains a whistleblower incentive program for violations of OFAC-administered sanctions, in addition to violations of the Bank Secrecy Act. Individuals located in the United States or abroad who provide information may be eligible for awards, if the information they provide leads to a successful enforcement action that results in monetary penalties exceeding $1,000,000. FinCEN is currently accepting whistleblower tips.

For more information regarding OFAC regulations, please go to: https://ofac.treasury.gov/.