



Simplified sanctions compliance for insurtechs

Contents

Simplified sanctions compliance for insurtechs	Page 2
Understanding Sanctions and Sanctions Screening	Page 3
The cost of non-compliance	Page 4
Traditional vs modern solutions for sanctions compliance	Page 5
Checking throughout the customer lifecycle	Page 6



Simplified sanctions compliance for insurtechs

Why proactive sanctions compliance is a competitive advantage and how our API can help you lead the way.

Insurtechs are focused on growing their business and not the complex waters of sanctions compliance. Non-compliance with these regimes not only carries hefty penalties but also risks reputational damage that can set your business back years or even lead to its collapse. This guide aims to simplify the often intimidating world of sanctions compliance for you, providing actionable insights and reliable tools, like SanctionsCheck.co, to ensure you're always on the right side of compliance.

International sanctions regimes: the compliance frontier for insurtechs

When it comes to your sanctions-checking regime, you cannot underestimate the complexity and reach of international sanctions regimes. The landscape is intricate and ever-changing whether it's the UN's various sanctions committees, the U.S. Treasury's Office of Foreign Assets Control (OFAC), or the European Union's restrictive measures.

For insurtechs with local or international aspirations, this is a labyrinth you can't afford to navigate blindly. A broad understanding of these regimes is critical. It's essential to know not just who is on these lists but also the sectors, countries, or types of transactions that may be subject to restrictions.

Navigating the labyrinth of international sanctions isn't merely a legal requirement; it's also a business imperative. Failure to comply can result in hefty fines and reputational damage that can cripple your international ambitions.

Global penalties for sanctions non-compliance: the stakes have never been higher

Non-compliance with international sanctions doesn't just expose you to fines and legal repercussions; it can also bring about severe damage to your brand's reputation and credibility. In the United States, OFAC fines can reach up to \$1 million per violation for companies and imprisonment for responsible personnel.

The European Union is no less stringent. Entities found in breach of EU sanctions can face financial penalties amounting to twice the value of the transaction or a minimum of €1 million. Like the U.S., the EU also exercises its rights extraterritorially, and companies within and outside the EU must pay close attention to these rules. Senior executives can also face personal legal ramifications for non-compliance, making this a C-suite concern. Non-compliance can also lead to loss of business, especially from partners who have their compliance frameworks in place and don't want to risk association.



Understanding Sanctions and Sanctions Screening

Sanctions are policy tools used by governments, international organisations, or coalitions to influence specific activities or policies of countries, organisations, or individuals.

Sanctions may be imposed for various reasons, including upholding international laws, penalising illegal actions, and protecting national security or foreign policy interests.

Sanctions can be unilateral, meaning they are imposed by one country, or multilateral, involving multiple nations or international bodies like the United Nations or European Union.

Sanctions checking for insurtechs

In the context of the insurance and insurTech sectors, sanctions take on a highly specialised significance. Beyond the general understanding that sanctions are international policy tools used to regulate behaviours and relationships, they serve as a critical framework defining whom insurers and insurtech companies can do business with and under what conditions. Sanctions compliance is not optional; it's a strict regulatory requirement with hefty penalties for non-compliance.

Here are some ways sanctions directly impact the insurance and insurTech industries:

Underwriting policies

The act of underwriting involves assessing risk and defining terms of insurance coverage. Firms cannot offer coverage to entities or individuals on a sanctions list, making due diligence in underwriting mandatory. Even if an entity is not explicitly on a sanctions list but operates in a sector or jurisdiction subject to sanctions, caution and additional scrutiny are required.

Claims handling

When a claim is made, insurance companies need to ensure that the claim does not involve a sanctioned entity. This includes the claimant and other stakeholders like repair shops, healthcare providers, or legal representatives.

Global operations

Understanding the ever-changing landscape of international sanctions is crucial for companies looking to expand globally. One wrong move can result in massive fines and jeopardise the whole operation.

Customer onboarding

When adding a new customer, both insurers and insurTech companies must conduct detailed sanctions check to ensure compliance. This is not a one-time event but an ongoing process, given that sanctions lists are updated regularly.

Data sharing

For insurtechs that rely on data analytics and API integrations, ensuring their tech stack complies with sanctions is crucial. Even unintentional violations through automated processes can result in penalties.

Navigating sanctions is complex but crucial for maintaining the integrity and legality of operations in the insurance sector. Sanctions are not static; they evolve in response to geopolitical events, and companies must continually update their compliance mechanisms to remain aligned with the latest requirements. For insurtechs, a robust, real-time sanctions screening process is not just best practice—it's an operational necessity.



The cost of non-compliance

When sanctions checking falls short in the insurance sector

Standard Chartered Bank's Costly Oversight

In February 2020, Standard Chartered Bank (SCB) received a hefty penalty from the UK's Office of Financial Sanctions Implementation (OFSI). The fine amounted to £20.47 million due to the bank's contraventions of EU sanctions targeting Russian institutions and individuals.

The misstep: from 2015 to 2018, SCB extended 102 loans worth £97.4 million to Denizbank A.Ş., which was almost entirely owned by Russia's Sberbank—a sanctioned entity. Although SCB had compliance measures in place, they failed to prevent these transactions from taking place.

The consequences and lessons: OFSI reduced the penalty by 30% due to SCB's self-reporting and internal investigations. The key takeaway is the importance of having compliance measures and ensuring they are robust and effective.

Société Générale's Billions in Penalties

In November 2018, French multinational bank Société Générale agreed to pay USD\$1.34 billion to settle its liability for violations involving transactions with Cuban, Iranian, and Sudanese entities.

The misstep: Société Générale processed billions in illicit funds involving these sanctioned entities from 2004 to 2012, misleading U.S. financial institutions in the process.

The consequences and lessons: the key takeaway is that U.S. authorities are willing to enforce U.S. sanctions laws even against entities incorporated overseas and that businesses must perform due diligence on their international operations.

AWB and the Folly of Ignorance

A Royal Commission in Australia, known as the 'Cole Inquiry,' probed the actions of the Australian Wheat Board (AWB) in 2006. This followed a UN report that found AWB had violated sanctions on Iraq.

The misstep: AWB funnelled payments to Iraq through a third-party company in Jordan and supplied foreign currency to Iraq. Trevor Flugge, AWB's former Chairman, was fined \$50,000 for failing to inquire into these improper activities.

The consequences and lessons: the case is a stark reminder that ignorance is not an excuse. Directors and officers must perform due diligence and refrain from pleading ignorance if their position requires them to make inquiries that would reveal wrongdoing.

Epsilon Electronics: pitfalls of no due diligence

Epsilon Electronics agreed to pay USD\$1.5 million to the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) for alleged sanctions violations related to Iran.

The misstep: between 2008 and 2012, Epsilon sold electronics worth \$2,830,000 to Asra International LLC, based in Dubai. It was suspected that most, if not all, of these products ended up in Iran.

The consequences and lessons: all businesses, regardless of their size or industry, need to conduct rigorous due diligence on their business partners, especially if they are based overseas.



Traditional vs modern solutions for sanctions compliance

In the evolving sanctions compliance landscape, businesses must often work on traditional methods and modern solutions. This division isn't just a matter of preference; it's about risk management, operational efficiency, and business survival.

Traditional: reliable but rigid

Manual checks

Traditional solutions often hinge on human intervention—manual processes like cross-referencing against sanction lists and conducting rigorous due diligence. While people bring nuance to these tasks, they're also subject to human error. A small oversight could lead to a disastrous penalty.

Periodic updates

Traditional systems often depend on periodic updates rather than real-time data feeds, making them less responsive to newly sanctioned entities or rule changes.

Infrastructure costs

These solutions usually require in-house servers, extensive IT teams, and other resources, accumulating significant ongoing costs.

Subject to interpretation

Various staff members may interpret regulatory guidelines differently, resulting in inconsistent enforcement.

Limited scalability

As your operations grow, it's labour-intensive and costly to scale up traditional methods to meet demand.

Modern: Flexible and nuanced

Automation

Artificial Intelligence and Machine Learning technologies are used to automate the sanctions screening process, reducing human error.

Real-time updates

These solutions often offer real-time updates directly from sanctions databases, helping businesses make informed decisions instantaneously.

API integration

Modern solutions like those offered by SanctionsCheck.co enable seamless integration with existing systems through APIs, allowing for flexible and rapid deployment.

Standardised compliance

Advanced algorithms can standardise compliance across the board, leading to uniformity in the interpretation and application of regulations.

Easy Scalability

Modern platforms easily adapt to increased data volumes or additional requirements, making scaling a non-issue.



Checking throughout the customer lifecycle

A guide to sanctions checking a policy throughout its lifecycle

1. Quote or proposal: check before pricing

The initial quote or proposal stage is the frontline in your compliance efforts. At this juncture, the aim is to ensure that neither the prospective client nor any entities involved are on sanctions lists. Check early to avoid legal complications and financial setbacks.

When a quote or proposal request comes in, you'll first need to capture the essential details from the applicant. Immediately after, run these details through SanctionsCheck.co using the API for real-time sanctions checks. If the check clears, please don't hesitate to go ahead and issue the quote. You must stop the process and consult your internal compliance guidelines if a flag is raised.

2. Bind or sale: check post bind or sale

A second layer of verification is critical after a policy is bound or sold. This ensures your company correctly enters a binding agreement with entities or individuals on sanctions lists. It acts as a safety net, preventing possible complications down the line.

Post-transaction, carefully extract all relevant details related to the policyholder and other insured entities. Run these details through a rigorous screening process using SanctionsCheck.co. If any issues arise during this check, you must coordinate with your internal compliance and legal teams as soon as possible.

3. FNOL: as soon as the claim is lodged

The First notice of loss (FNOL) marks the beginning of the claims process. Ensuring that the claimant or any third parties involved in the claim are not on sanctions lists is crucial at this stage. This safeguards your business and ensures you're not further along the claims process before discovering a compliance issue.

When the FNOL is received and registered, take the necessary steps to capture all details about the parties involved. This information is immediately processed through SanctionsCheck.co for a thorough cross-referencing against relevant sanctions lists.

4. Disbursement: when any payment is made

A second layer of verification is critical after a policy is bound or sold. This ensures your company correctly enters a binding agreement with entities or individuals on sanctions lists. It acts as a safety net, preventing possible complications down the line.

Post-transaction, carefully extract all relevant details related to the policyholder and other insured entities. Run these details through a rigorous screening process using SanctionsCheck.co.

5. Renewal: when creating renewal quotes

Policy renewals offer another critical opportunity for sanctions checking. The process serves as an ongoing compliance measure, ensuring that none of your existing customers have newly appeared on sanctions lists.

As renewal quotes are being prepared, make it a point to run all entities associated with the policy through SanctionsCheck.co one more time. Given the dynamism of sanctions lists, it's crucial to keep these checks routine and systematic. Any results, whether confirming compliance or raising flags, should be stored meticulously for future compliance and auditing purposes.



Get in touch for a 15min demo

Contact us via hello@sanctionscheck.co or visit the website to book a demo.

About SanctionsCheck.co

Built by a group of insurtech veterans that have experienced the pain of sanctions checking for years. We were desperate to solve the problem with a simple and affordable solution... so we built it.

We always want to move fast when building products; sanctions have often been a blocker. We decided to scratch our itch.

Please reach out to [SanctionsCheck.co](https://www.sanctionscheck.co) for a demo.