

A guide to the UN advisory on sanctions compliance **for insurers**



The recent UN advisory ‘Sanctions compliance for the maritime transportation sector’ clarifies the **risks** and **responsibilities** facing **insurers** in relation to **sanctions compliance**, as well as making clear **recommendations** on what insurers should be doing to **demonstrate compliance**.

In this short guide, we summarise the key risks, requirements and recommendations for insurers.

About the advisory

When: 12 September 2014

Where: Singapore

Who: Governments of Australia and Singapore + more than 100 representatives from across the supply chain and related services (including UN Expert Panel, shipowners and agents, freight forwarders, insurance companies, brokers and port operators, industry associations, regulators and think tanks)

Why: For the shipping and maritime transportation sector, to raise awareness of United Nations sanctions and explore issues relating to compliance with such sanctions

[Read the full advisory](#)

“There is a real risk that the [transportation] sector could be misused by proliferators [...] the United Nations has thus adopted sanctions to counter the risk that the sector could be used to carry out activities prohibited by Security Council resolutions.”¹

1. Insurers must not provide “assistance” in prohibited trades

While sanctions and controls have been understood to be “primarily aimed at the sellers or purchasers of sanctioned goods”, in some cases the Security Council goes further to specifically require States “to prevent the provision of assistance for any trade that is prohibited under the sanctions regime.”²

What does “assistance” mean?

The UN advisory clarifies that “the term ‘assistance’ is generally given a broad meaning (and is often understood as financial or other assistance related to the supply, sale or transfer of sanctioned goods)” and “thus would apply to freight forwarding firms, maritime transport firms and insurers, among others.”⁴

“Assisting in the trade in goods prohibited under a sanctions regime, whether knowingly or unknowingly, poses a number of risks for the transportation sector.”³

2. Insurers are responsible for ensuring compliance

The UN advisory clarifies the responsibilities of various members of the maritime transportation supply chain. Many apply specifically to insurers, while others apply to the maritime transportation sector generally.

Responsibilities:

Applies to	Responsibility
Insurers (specifically)	Insurers “have a role in defining the risk landscape for businesses”. ⁵
	“Businesses operating in the shipping, freight forwarding, insurance and port operating sectors must put in place measures that respect the laws implementing sanctions in relevant jurisdictions. [...] It is usually the case that a business must consider the compliance status not only of its own activities, but also that of the activities of clients and business partners.” ⁶
	Insurers “should not issue policies for unlawful activities, nor should they turn a blind eye to the nature of the activities covered by their policies”. ⁵
Financial services companies (generally)	“The financial services sector must also refrain from assisting in the sale, supply or transfer of goods to countries subject to sanctions.” ⁷
Any entity / business	Any entity “providing support for international trade need to take measures to ensure that their services are not utilized to assist in any activity in breach of sanctions.” ⁸

3. Insurers should implement measures

The advisory offers recommendations on how insurers can manage their risks by implementing a range of measures, including:

- **Screening vessel owners and vessels by comparing their names against lists of designated entities in order to determine whether they are subject to sanctions.**¹⁰
- **Screening entities multiple times during the course of a policy’s validity.**¹¹
- **Monitoring the movement of vessels in and around ports or vessels that are subject to sanctions.**¹²
- **Asking business partners or clients if they have in place a compliance process that provides confidence that they are not involved, whether knowingly or otherwise, in the shipment of goods in violation of sanctions.**¹³
- **Keeping thorough records and audit trails of international transactions (and requiring the same of your business partners).**¹⁴
- **Ensuring the company is compliant and remains current with changing sanctions, regulations and requirements by implementing a compliance structure.**¹⁵
- **If inadvertent non-compliance does occur, the company should take actions to identify such non-compliance, report it to the authorities, as appropriate, and improve the compliance process so that it does not recur.**¹⁶

The sanctions compliance checklist for insurers:

Compliance activities	<input checked="" type="checkbox"/>
Are you screening vessel owners and vessels by comparing their names against lists of designated entities in order to determine whether they are subject to sanctions? ¹⁰	<input type="checkbox"/>
Do you have in place processes to ensure that you know whether an entity that you already insure has been designated? ¹⁷	<input type="checkbox"/>
Are you screening entities multiple times during the course of a policy's validity? ¹⁷	<input type="checkbox"/>
Do you have audit trails and records of your international transactions to provide you are compliant (or at least not wilfully non-compliant)? ¹⁴	<input type="checkbox"/>
Are you ensuring that your business partners are aware of the record-keeping requirements (and are you including this requirement in contractual agreements)? ¹⁴	<input type="checkbox"/>
Are you monitoring the movement of vessels in and around ports or vessels that are subject to sanctions? ¹²	<input type="checkbox"/>
Do my business partners or clients have in place a compliance process that provides confidence that they are not involved, whether knowingly or otherwise, in the shipment of goods in violation of sanctions? ¹³	<input type="checkbox"/>
Are you taking sufficient due diligence? ¹⁸	<input type="checkbox"/>
Are you identifying whether vessels are owned, controlled or operated by a designated person or entity? ¹⁸	<input type="checkbox"/>
Do you determine whether the vessel is owned in or sails under the flag of a State that has a government programme that is subject to sanctions? ¹⁸	<input type="checkbox"/>
Do you identify whether a vessel has previously been involved in activities that indicate non-compliance with sanctions? ¹⁸	<input type="checkbox"/>
Do you flag whether the activities of a vessel that utilizes your services are suspicious? ¹⁸	<input type="checkbox"/>
Are you checking the vessel's International Maritime Organization numbers (as well as the vessel name)? Because vessels involved in proliferation-related activities frequently change name and flag State in order to evade controls. ¹⁹	<input type="checkbox"/>

4. Further guidance on compliance solutions

Screening

According to the UN advisory, businesses operating in or associated with the maritime transportation sector should screen vessel owners and vessels by comparing their names against lists of designated entities in order to determine whether they are subject to sanctions.¹⁰

Vessel monitoring

The second recommendation made by the advisory is for businesses operating in or associated with the maritime transportation sector to adopt vessel monitoring solutions as part of their sanctions compliance programmes (which many have done already).

They go on to describe the “two main systems that can be used for vessel monitoring”²² as:

AIS: The Automatic Identification System (AIS) is a VHF (very high frequency) radio tracking system that is used by ships and vessel traffic services to identify and locate other nearby ships for the primary purpose of collision avoidance. AIS is required on all vessels with a gross tonnage above 300. It is an inexpensive means of tracking vessels, but is subject to a number of security vulnerabilities that can affect its reliability.

Satellite: Satellite communications systems (i.e. Inmarsat) provide secure, reliable, global coverage. Due to their high reliability these systems are used by flag states for regulatory tracking purposes (e.g. LRIT).

Limitations of AIS

The UN advisory offers a warning that “while the two systems should routinely correspond to the true location of the vessel, it has been noted that ship captains do, on occasion, switch off the automatic identification system when engaging in clandestine activity. In some such cases, the Inmarsat system has made it possible to continue tracking the vessel.”²²

Case study: Panama

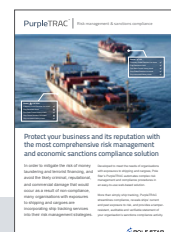
The advisory highlights the Panama Maritime Authority as an example of a port authority taking proactive steps to screen vessels against sanctions-related risks¹⁹. Panama recently adopted Pole Star’s PurpleTRAC screening and compliance solution, allowing them to screen vessel owners and vessels against:

- Global sanctions lists
- Country sanctions checks (flag and country of domicile, control and registration)
- Class society and ship quality performance
- Ship movement history (last 90 days, AIS data)
- Current geo-political threats

Panama becomes first port state to use Pole Star’s PurpleTRAC service for sanctions compliance and risk management - [Read the press release](#)

PurpleTRAC

For vessel monitoring using both AIS and satellite (Inmarsat) tracking technology, the UN highlights Pole Star’s PurpleTRAC solution.



[Visit the website](#)

What you need to know about AIS

Sole reliance on AIS data could undermine your organisation’s sanctions compliance programme.



[Read the whitepaper](#)

References

Read the United Nations document

- ¹ p.20 para VI.67 (Conclusions)
- ² p.6 para II.A.9 (Requirements of sanctions)
- ³ p.8 para III.17 (Compliance)
- ⁴ p.6-7 para II.A.9 (Requirements of sanctions)
- ⁵ p.12 para B.29 (Financial service providers)
- ⁶ p.19 para V.61 (Risk-based compliance)
- ⁷ p.12 para B.28 (Financial service providers)
- ⁸ p.7 para II.A.10 (Requirements of sanctions)
- ⁹ p.20 para VI.68 (Conclusions)
- ¹⁰ p.17 para E.52(a) (Vessel monitoring)
- ¹¹ p.12 para B.30 (Financial service providers)
- ¹² p.17 para E.52(b) (Vessel monitoring)
- ¹³ p.17 para B.45 (Transactions)
- ¹⁴ p.19 para H.60 (Audit trails and record keeping)
- ¹⁵ p.20 para V.64 (Risk-based compliance)
- ¹⁶ p.20 para V.66 (Risk-based compliance)
- ¹⁷ p.12 para B.30 (Financial service providers)
- ¹⁸ p.15 para E.50 (Vessel monitoring)
- ¹⁹ p.15 para E.50(b) (Vessel monitoring)
- ²⁰ p.13 para A.C.34 (Port operators)
- ²¹ p.18 para E.53 footnote O (Vessel monitoring)
- ²² p.18 para E.53 (Vessel monitoring)

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