Browne Jacobson

The downfall of Vesttoo: Fraudulent letters of credit

08 December 2023

Previous

Proposed amendments to the Arbitration Act 1996

Next

Chubb leads a $50m consortium to help mitigate the increasing risks associated with lithium-ion batt

Various proceedings are being issued around the world following the investigation into the ILS platform, Vesttoo, which uncovered a US$4bn fraud involving fraudulent letters of credit.

Vesttoo was an Israeli fintech startup founded in 2018 by Yaniv Bertele, Ben Zickel and Alon Lifshitz. It was a platform designed to connect insurance companies with capital market investors acting as an alternative to traditional reinsurers. Investors would purchase what was known as an 'insurance basket' and would receive a payment for the risk they were taking on – and share the losses in the event of an insurance event. Vesttoo developed a platform that would mediate between insurers and investors to ensure the transactions were properly conducted. Part of that process included ensuring that the investors had the appropriate collateral, usually in the form of letters of credit.

Earlier this year there were reports of 'inconsistencies' at Vesttoo following the discovery of a fake letter of credit that had not been detected by Vesttoo's systems. A comprehensive review of all Vesttoo's letters of credit led to the discovery of a significant fraud involving multiple fraudulent letters of credit all being issued by the same bank. The fraud is reported to have required the cooporation of the bank's employees as well as those within Vesttoo, which would have received billions of dollars of commission from the fraudulent transactions. The Vesttoo board initially put on leave and then subsequently fired two of the founding members, Bertele and Lifshitz. It has been reported that the individuals were directly involved in creating fake documents and forging identities to obtain billions of dollars in bogus letters of credit.

Proceedings have been issued against Vesttoo by Aon White Rock, which is facing its own legal action over transactions involving allegedly fraudulent letters of credit related to Vestoo. There are proceedings in the Bermudan Supreme Court to liquidate segregated cells in White Rock Insurance (SAC) which had housed the reinsurance deals and a court in Israel has approved the seizure of $30m in assets belonging to Bertel and Lifshitz.

Vesttoo has since filed for bankruptcy following the closure of multiple offices and legal discovery on the company is expected to start shortly.

The fallout of the Vesttoo fraud could have wider implications on the re/insurance industry with a potential crisis of confidence in the use of letters of credit as a valid form of collateral. Letters of credit are considered as a Tier 2 form of capital at Lloyd's and are widely relied on by insurers and reinsurers. In an industry that habitually uses fronting companies and risk transformers a successful chain of security relies on adequate due diligence being carried out on all parties involved. Where that trust has been undermined, the insurance industry may see a tightening up of the scrutiny of the use of letters of credit in alternative reinsurance structures.

Although the fraud could be an (admittedly sizeable) isolated incident involving a few untrustworthy individuals, whilst the source of the fraud is being investigated, the insurance industry can expect to see more diligence and greater transparency around letters of credit, possibly with those relying on them limiting the use to an approved list of banks. In the meantime, unless and until the Vesttoo events indicate that the use of letters of credit is a flawed system, it is likely that they will continue as a form of collateral, though recent events should serve as a reminder to the insurance industry that it is essential that there are strong checks and balances conducted at every stage.

Contents

Key contacts

Francis Mackie

Partner

francis.mackie@brownejacobson.com

+44 (0)20 7337 1027

Laura Brown

Senior Associate

laura.brown@brownejacobson.com

+44 (0)115 934 2051

Related expertise

Business crime and fraud

Counter fraud for insurance

Dispute resolution and litigation

Financial crime

Financial institutions

Financial services and insurance advisory

Financial services regulation

Fraud and asset recovery

Insurance claims defence

© 2025 Browne Jacobson LLP - All rights reserved