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EVALUATION CRITERIA OF USING INSURANCE COMPANIES IN SUSPICIOUS TRANSACTIONS

Anton O. BOYKO
Candidate of Economics, senior lecturer, Ukrainian Academy of Banking of the National Bank of Ukraine

Viktoriia V. ROIENKO
Candidate of Economics, assistant lecturer, Ukrainian Academy of Banking of the National Bank of Ukraine

Summary. The article analyzes the most common suspicious transactions using the services of insurance companies for optimizing the tax burden businesses and/or legalization (laundering) criminally gained income. The system of indicators for formalization the risk of using insurance companies in suspicious transactions is investigated.

Key words: *insurance company, legalization, suspicious transactions, tax burden.*

The intense formation of the global financial system and the liberalization of capital movements led to a parallel activation and development of mechanism of using financial institutions to reduce the tax burden, to legalize illegally gained income and financing of terrorist. Insurance companies are one of the core financial institutions through which individuals and business entities can access the financial system. This access provides opportunities to misuse insurance and reinsurance industry to engage in optimizing the tax burden businesses and legalization (laundering) criminally gained income. This problem cannot be considered as an isolated threat of the economic security of each country. For instance, each year Ukrainian business through the using insurance companies in suspicious transactions save on taxes 1,5 billion. UAH.

In the article it is defined four groups of indicators characterizing the risk of using insurance companies in suspicious transactions.

First group is named as country risk and its financial system: countries with weak regime AML (anti-money laundering) according to the FATF; countries with high Corruption Perceptions Index by Transparency International; countries with low tax burden for non-residents; countries with numerous and systematic violations in taxation, banking and financial sectors; countries subject to sanctions of international organizations.

Second group – insured risk: insured who live far from the location of the insurance company; insured who initiate early termination of the insurance contract and receiving the redemption amount; insured who use cash or unconventional payment method; insured with applied international sanctions; insured who conclude insurance contracts on a significant amount.

Third group – insurer risk: insurer that concludes contracts mostly with legal entities; insurer which has too high or low level of loss ratio; insurer the structure of the insurance portfolio of which is dominated by contracts with financial risk insurance, fire insurance, natural disasters insurance; insurer with a high share of output reinsurance in relation to accumulated gross insurance premiums; insurer which is a part of the financial-industrial groups.

Fourth group – risk of regulatory standards violations: an insurance company which is prosecuted and fined for breaching the standards of the formation and placement of insurance reserves; an insurance company which is prosecuted and fined for violating the standards of solvency; an insurance company which is prosecuted and fined for non-compliance of standards on conducting reinsurance operations; an insurance company the activity of which is submitted with complaints from insurers; an insurance company which has debts on the accrued fines.

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