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Oleg Balatskyi Academic and Research Institute  
of Finance, Economics and Management

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## OPTIMIZATION OF THE SYSTEM AND MECHANISM OF REGULATION OF FINANCIAL MONITORING OF INSURANCE COMPANIES

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In the development of modern society, insurance activity plays an important role, because it is one component of the country's financial market and performs the protective function of society from industrial and domestic risks. Insurance activities are directly related to financial transactions and various risks. The issue of the financial monitoring system in the activities of insurance companies needs considerable attention and constant modernization [1, p.80; 4, p.52; 7, p.21; 8, p.44].

Taking into account the Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of Proceeds from Crime, Financing of Terrorism and Financing of Proliferation of Weapons of Mass Destruction”, there are two types of financial monitoring: primary and state. The main subjects of primary financial monitoring are: banks, insurance companies, credit unions and other subjects of the country's financial market [2, p.39; 10, p.65]. According to the legal norms of the Law, insurance companies, as subjects of primary financial monitoring, must strictly comply with the obligations set forth in Article 2 of this Law, as well as comply with the requirements of the Regulation on Financial Monitoring by Financial Institutions.

Thus, the insurance company must carry out internal financial monitoring, adhering to the main stages of legal requirements: assessment of risks of money laundering; mandatory identification of the client and keeping records of suspicious transactions; mandatory reporting of suspicious financial transactions to the SCFM [5, p.69; 6, p.57; 15, p.38; 17, p.5].

Detailed analysis of the activities of insurance companies, let us to say that

most of them do not have a work plan, business model, and development strategy, and this leads to the development of insurance risks [3, p.35; 11, p.69; 14, p.117]. An equally important factor in the activities of insurance companies is the imperfection of current legislation and regulatory functions of the state, which gives unscrupulous insurers the opportunity to conduct insurance transactions in order to reduce taxation and evade payment of their tax liabilities [9, p.56; 12, p.43; 13, p.58; 16, p.63]. Thus, given the above problems, it can be concluded that unscrupulous insurers may engage in money laundering, and other illegal financial transactions. To optimize the system of financial monitoring for insurance companies, the following methods can be proposed:

- Creation of more effective control mechanisms to determine the ownership structure of the insurance company.
- Introduction of reputation standards for owners of insurance companies.
- Defining and building the management structure and internal control of the insurance company.
- Introduction of a mechanism for guaranteeing insurance obligations under signed contracts.

Summing up, we can say that financial monitoring in the activities of insurance companies occupies one of the key positions in the fight against money laundering, which in essence is a type of insurance risk, and financial monitoring, in turn, leads to minimum negative consequences of such activities.

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