

Licensing the commencement of the insurance activity

	Q&A
Prior to submission	<ul style="list-style-type: none"><li data-bbox="858 284 1420 380">• Within what time is it necessary to submit the activity licence application after the foundation of the insurance company?<p data-bbox="906 414 1420 672"><i>The insurer shall submit to the MNB the application for the licence related to the commencement of the insurance activity within 90 days from the receipt of the MNB's resolution authorising the foundation. If the activity licence application is not submitted by the due date, the MNB cancels the foundation licence.</i></p><li data-bbox="858 705 1420 1153">• What sort of activities may the insurer pursue?<p data-bbox="906 806 1420 1153"><i>In line with the licensing principles, the insurer may pursue its activity in full within the authorised insurance branch and sector. Pursuant to the principle related to the exclusivity of the insurance activity, insurance activities may only be pursued by insurers; at the same time, apart from the insurance and reinsurance activity and the activities closely related to those, insurers shall not pursue any other professional activity (Section 40 (1) of the Insurance Act).</i></p><li data-bbox="858 1198 1420 1512">• Does the insurer need to submit separate licence application for the pursuance of reinsurance activity?<p data-bbox="906 1332 1420 1512"><i>The Insurance Act permits, without a separate dedicated licence, the insurance joint stock company to pursue active reinsurance – i.e. accepting reinsurance – activity, but it may only do so in the insurance sectors for which it holds a licence (Section 7 (1) of the Insurance Act).</i></p><li data-bbox="858 1556 1420 1736">• What sort of activity may the reinsurer pursue?<p data-bbox="906 1657 1420 1736"><i>Reinsurers may only pursue reinsurance activity and activities closely related to it, and they are not entitled to pursue direct insurance activity.</i></p><li data-bbox="858 1780 1420 2027">• Is it necessary to pay any administrative service fee for the procedure?<p data-bbox="906 1881 1420 2027"><i>Yes. Pursuant to Section 14(1a) and (2), Section 15(2) and 20 (1) of MNB Decree 14/2015. (V. 13.) on the Administrative service fee charged for certain licensing and registration proceedings carried out by the Magyar Nemzeti</i></p>

	<p><i>Bank within the framework of the supervision of the financial intermediary system and in respect of fiduciary companies, simultaneously with the launch of the licensing procedure an administrative service fee of HUF 1,300,000 shall be paid in the case of insurance or reinsurance joint stock companies, cooperative societies and the Hungarian branch office of third-country insurers and reinsurers, and HUF 700,000 in the case of mutual insurance associations, to the MNB's account no. 19017004-01673000-30900007 and the document confirming this shall be attached as annex to the application for the start of the procedure.</i></p>
<p>Application and annexes</p>	<p>IMPORTANT NOTICE! Prior to submitting the application you are kindly advised to read the general Q&A on the MNB's website on the Licensing/General information tab.</p>
<p>Application</p>	<ul style="list-style-type: none"> • What form should I use for the submission of the application? <p><i>The application for licensing the commencement of the insurance activity shall be submitted on electronic form no. BIZT_1033 entitled "Application for licensing the commencement of the insurance activity" available under the Activity licences menu item of the E-administration/Licensing service.</i></p>
<p>Organisational and Operational Regulation (OOR)</p>	<ul style="list-style-type: none"> • Is it necessary to submit the Organisational and Operational Regulation (OOR) as annex to the application for licensing the commencement of the insurance activity? <p><i>The primary purpose of the OOR is to prove the fulfilment of the requirements related to the system of governance, stipulated in Chapter IV of the Insurance Act, and it must be submitted as an annex to the application for licensing the commencement of the insurance (reinsurance) activity.</i></p> <ul style="list-style-type: none"> • What should the OOR contain, and is it necessary to attach any annex to it (e.g. organisation chart)? <p><i>In order to make the organisation structure more transparent, it is advisable to attach an organisation chart to the OOR. Furthermore, when developing the OOR, it is also advisable to take into consideration the provisions of the MNB's Recommendation on the Internal lines of defence (and particularly the provisions of Chapter III on responsible internal control).</i></p>

	<p><i>As regards the detailed expectations and minimum requirements related to the OOR of insurance associations, please take into consideration the guides and Q&A related to Policies.</i></p>
<p>Personnel conditions</p>	<ul style="list-style-type: none"> <p>• Which functional duties does the insurer’s governance system include?</p> <p><i>In accordance with Section 81 of the Insurance Act, the governance system must include at least the actuarial, internal audit, risk management and compliance functions, as key functions. Other functions may also be classified as key functions with the proviso that it is the insurer’s responsibility to determine in its internal policy the features, factors and circumstances – based on its special operational characteristics – due to which a specific function or activity is classified as key function.</i></p> <p><i>The Insurance Act specifies the documents related to the functioning of the risks management, internal audit and the internal control systems, as mandatory annexes to the application.</i></p> <p>• What kind of documents should be submitted in the case of outsourcing?</p> <p><i>Should the procedure be outsourced, the documents related to this must be also submitted, including the policy related to outsourcing, mentioned among the general governance requirements in Article 41 (3) of the Solvency II Directive. This policy – based on Section 63 of MNB Recommendation 4/2016 (VI.06) on the Governance system of insurers and reinsurers – shall cover “the institution’s outsourcing solutions and procedures from the start until the end of the contract”.</i></p> <p>• What kind of personnel conditions should be satisfied during the activity licensing?</p> <p><i>During the activity licensing the fulfilment of all personnel conditions prescribed by the Insurance Act must be confirmed, by submitting the documents proving the fulfilment of the requirements specified in Section 252 of the Insurance Act; i.e. this is when all officers of the new institution filling positions subject to licensing (senior executive and other managers) are approved.</i></p> <p><u><i>As regards the personnel conditions, you are kindly requested to take into consideration the</i></u></p>

	<p><u>guides and Q&A related to the licensing of senior executives and other managers.</u></p> <ul style="list-style-type: none"> • Is it necessary to license the employment of the person in charge of controlling the investments? <p><i>When the insurer or reinsurer manages its assets in part or in full on its own, Section 104/A of the Insurance Act prescribes the employment of a person controlling this activity; however, it prescribes no licensing obligation with regard to the person in charge of controlling the investments. At the same time, the requirements related to the role and tasks of the person in charge of controlling the investments must be stipulated in the insurer's internal policy, and the institution must examine – also considering Section 104/A (1)c – the existence of the fit and proper requirements in respect of this person as well.</i></p>
Policies	As regards the detailed expectations and minimum requirements related to the policies, please take into consideration the guides and Q&A related to Policies.