

**Licensing the activity of a branch office to be established by an insurance or reinsurance company with registered office in a third country**

	Q&A
<p><b>Prior to submission</b></p>	<ul style="list-style-type: none"> <li data-bbox="858 315 1434 472"> <p>• <b>Who may submit an application to the MNB for licensing the activity of a branch office to be established by an insurance or reinsurance company with registered office in a third country?</b></p> <p><i>The notion of third country and third-country insurance or reinsurance company is defined in Section 4 (1) 37 and 38 of the Insurance Act: accordingly, third country means any country that is not the member of the European Union, while third-country insurance or reinsurance company means any third-country organisation authorised to pursue insurance – or reinsurance – activities under the laws of the country where it is established and such activities would require authorisation under the Insurance Act if its registered office were in Hungary. Thus, in accordance with the foregoing, it is not possible for any third-country organisation to establish, without any restriction, a branch office in Hungary pursuing insurance activity; in order to protect the insurance market and the clients, only those insurance companies may do so that comply with the statutory requirements applicable to the licensing and pursuance of the business of insurance, enforceable in the country of its registered office and whose activity would be subject to a licence also if its registered office were in Hungary.</i></p> </li> <li data-bbox="858 1323 1434 1447"> <p>• <b>May a third-country insurance and reinsurance company pursue its insurance or reinsurance activity in Hungary only through its Hungarian branch office?</b></p> <p><i>According to the principal rule, yes. From this the Insurance Act provides limited exemption: under international agreement, third-country insurance companies may, without setting up a branch office, pursue reinsurance activity, and conclude insurance contracts for damages to goods, means of transport and motor vehicles participating in international trade, as well as liability insurance in connection therewith; with this, the Insurance Act creates the conditions for the applicability of the Convention on the Contract for the International Carriage of Goods by Road (CMR) concluded in Geneva, on 19 May 1956” (CMR Convention), while third-country reinsurance companies may pursue the business of reinsurance in the territory of Hungary directly, without the involvement of a</i></p> </li> </ul>

*branch office [Section 41 (2) and (4) of the Insurance Act].*

- **Do the exceptions specified in Section 24(2) of Act CXXXII of 1997 on the Hungarian Branch Offices and Commercial Representative Offices of Companies Registered Abroad (Branch Office Act) in relation to the financial branch offices also apply to the branch office of third-country insurance or reinsurance companies?**

- *No, because the exceptions specified in respect of the financial branch offices in Section 24(2) of the Branch Office Act apply only to the branch office of foreign companies registered in an EEA state. Accordingly, the third-country insurance or reinsurance companies are established through their registration in the company register, and they may commence their activity thereafter, in possession of the supervisory licence [Section 4(1) of the Branch Office Act].*

- **What is the territorial scope of the activity licence issued by the MNB?**

*The territorial scope of the activity licence issued by the MNB for a branch office covers the territory of Hungary; the branch office may pursue the requested activity in accordance with Section 42 (2) of the Insurance Act solely in Hungary.*

- **Is it necessary to pay any administrative service fee for the procedure?**

*Yes. Pursuant to Section 14(1a), 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 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 the Hungarian branch office of a third-country insurance or reinsurance company 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.*

Application and annexes	<p><b>IMPORTANT NOTICE!</b> Prior to submitting the application you are kindly advised to read the general Q&amp;A on the MNB's website on the Licensing/General information tab.</p>
Application	<ul style="list-style-type: none"> <li>• <b>What form should I use for the submission of the application?</b> <p><i>The application for the licensing of the activity of the branch office to be established by an insurance or reinsurance company with registered office in a third country shall be submitted on electronic form no. BIZEK_1001 entitled "General application, notification – Insurance" available under the Other licensing menu item within the E-administration/Licensing service.</i></p> </li> <li>• <b>What kind of annexes should be submitted for the issuance of the activity licence?</b> <p><i>For the issuance of the activity licence third-country institutions shall submit all documents that Section 244 (1)-(1a) and (4) of the Insurance Act prescribes in respect of the licensing of the activity of insurance and reinsurance companies registered in Hungary. In addition, the Insurance Act also prescribes surplus requirements with regard to the activity of non-EEA organisations in Hungary: part of these relate to the applicant, while other part of them to the applicant's country of registration (Section 247 of the Insurance Act). For the guide related to the licensing of the start of the insurance or reinsurance activity see the MNB's website at: Supervision / Licensing and institution oversight / Licensing / Sectors / Insurance market / Insurance and reinsurance companies / Activity licensing / Licensing guides.</i></p> <p><u><i>In connection with the licensing of the activity of a branch office to be established by an insurance or reinsurance company with registered office in a third country you are kindly requested to take into consideration the guides, manuals and Q&amp;A related to the licensing of the start of the insurance or reinsurance activity.</i></u></p> </li> </ul>
Personnel conditions	<ul style="list-style-type: none"> <li>• <b>What kind of personnel conditions should be fulfilled during the licensing of the activity of a branch office to be established by an insurance or reinsurance company with registered office in a third country?</b> <p><i>The application should contain the appointment of the general representative of the branch office, who – in accordance with</i></p> </li> </ul>

	<p><i>Section 49 (1) of the Insurance Act – qualifies as senior executive. For the licensing of the general representative of the branch office of the insurance company with registered office in a third country, the conditions stipulated in the Insurance Act for the licensing of the senior executive (chief executive) must be fulfilled. For the guide related to the licensing of the senior executives see the MNB's website at: <a href="#">Supervision / Licensing and institution oversight / Licensing / Sectors / Insurance market / Insurance and reinsurance companies / Licensing of senior executive and other managers / Licensing guides</a>.</i></p> <p><u><i>As regards the personnel conditions, you are kindly requested to take into consideration the guides and Q&amp;A related to the licensing of senior executives.</i></u></p>
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