

## Act LXXXVIII of 2014

### on the Business of Insurance<sup>1</sup>

In the interest of protecting the interests of policyholders, promoting self-support, enhancing confidence in insurance and insurance companies, strengthening the role of the insurance industry in general and of the insurance companies in the nation's economy, enhancing the feasibility and reliability of the insurance industry, as well as the guarantees for insurance services, facilitating the effective exercise of freedom to provide insurance services under uniform rules in order to guarantee the competitiveness of market actors on equal grounds, improving the supervisory system of the insurance industry created for the reliable operation of the insurance system, promoting the role of insurance companies in preventing damage, furthermore, taking into account the requirement of compliance with the legislation of the European Union and that insurance industry is to achieve a level in terms of governing principles, quality and security it provides to market players as it is required from all national laws of Member States of the European Union, Parliament has adopted the following Act:

### **BOOK ONE**

#### **INTRODUCTORY PROVISIONS**

##### 1. Scope

##### *Section 1*

(1) This Act shall apply to:

*a)* insurance and reinsurance activities pursued by insurance companies and reinsurance companies established in Hungary, and the activities of such insurance companies and reinsurance companies closely related to insurance and reinsurance activities, and the activities of insurance companies and reinsurance companies in discharging their obligations stemming from insurance and reinsurance contracts after their authorization has been withdrawn;

*b)* insurance and reinsurance activities - provided for in this Act - pursued on the territory of Hungary by insurance companies and reinsurance companies established outside of Hungary, and the activities closely related to such insurance and reinsurance activities;

*c)* insurance activities conducted on the territory of Hungary, other than those covered in Paragraphs *a)* and *b)*;

*d)*<sup>2</sup> the insurance mediation, reinsurance mediation and ancillary insurance mediation activities of insurance intermediaries, reinsurance intermediaries or ancillary insurance intermediaries established or residing in the territory of Hungary, and the insurance mediation, reinsurance mediation and ancillary insurance mediation activities - provided for in this Act - carried out in the territory of Hungary by insurance intermediaries, reinsurance intermediaries and ancillary insurance intermediaries established or residing outside the territory of Hungary;

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<sup>1</sup> Promulgated on 22 December 2014.

<sup>2</sup> Established by Subsection (1) of Section 140 of Act CXLV of 2017, effective as of 23 February 2018.

e) the activities of outsourcing service providers exclusively in carrying out activities covered by this Act, outsourced by an insurance company;

f) the activities of the Magyar Nemzeti Bank (*National Bank of Hungary*) (hereinafter referred to as "Authority"), acting within its function as supervisory authority of the financial intermediary system, as defined in this Act;

g) the obligations of companies - specified in this Act - that are subject to supervision on a consolidated basis or supplementary supervision;

h) special purpose vehicles and their operation;

i) the auditors of insurance companies and reinsurance companies.

(2)<sup>1</sup> This Act shall apply to insurance companies, reinsurance companies, insurance intermediaries, reinsurance intermediaries and ancillary insurance intermediaries established or residing in territory of Hungary having regard to their activities involved in or closely related to insurance and reinsurance activities and insurance mediation, reinsurance mediation and ancillary insurance mediation activities conducted in the European Union, except if this Act, any international agreement or directly applicable and binding legislation of the European Union provides otherwise.

(3)<sup>2</sup> This Act shall apply to insurance companies, reinsurance companies, insurance intermediaries, reinsurance intermediaries and ancillary insurance intermediaries established or residing in the territory of Hungary having regard to their activities involved in or closely related to insurance and reinsurance activities and insurance mediation, reinsurance mediation and ancillary insurance mediation activities:

a) conducted outside the European Union, and/or

b) in relation to risks and commitments located outside the European Union, only if so prescribed by international agreement.

## Section 2

(1) This Act shall not apply to:

a) insurance forming part of the compulsory social security system;

b) operations of provident, mutual benefit and mutual assistance institutions whose benefits vary according to the resources available and in which the contributions of the members are determined on a flat-rate basis;

c) the form of insurance, that is not covered by this Act, constituting an agreement to divide any losses that might occur regarding specific perils equally among two or more people in a risk group, including when a member is in need of financial assistance in consequence of such specific perils (pooling arrangement);

d) export credit insurance schemes by order of or under guarantee by the State;

e) the activities of voluntary mutual insurance funds, private pension funds and institutions for occupational retirement provision;

f) activities of organizations that undertake to provide benefits solely in the event of death, where the amount of such benefits does not exceed the average funeral costs for a single death or where the benefits are provided in kind;

g) operations carried out by organizations that do not have legal personality with the purpose of providing mutual cover for their members without payment of premiums or maintenance of technical provisions;

h)<sup>3</sup> the National Bureau and its agents as regards the performance of tasks in relation to frontier insurance provided for in Section 42 of Act LXII of 2009 on Insurance Against Civil Liability in Respect of the Use of Motor Vehicles (hereinafter referred to as "MVI");

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1 Established by Subsection (2) of Section 140 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Subsection (3) of Section 140 of Act CXLV of 2017, effective as of 23 February 2018.

3 Established by Section 141 of Act CXLV of 2017, effective as of 23 February 2018.

i) operations carried out by organizations, whose object is to provide benefits for employed or self-employed persons belonging to an economic operator or group of economic operators, or a trade or group of trades, in the event of death or survival or of discontinuance or curtailment of activity, whether or not the commitments arising from such operations are fully covered at all times by technical provisions;

j) reinsurance operations conducted by a business association under majority State ownership or fully guaranteed by the State, when the State is conducting non-market based reinsurance activities acting - for reasons of substantial public interest - under conditions set out in the relevant legislation in full compliance with the provisions on prohibited State aid, including in circumstances where such a role is required by a situation in the market in which it is not feasible to obtain adequate commercial cover.

(2) The provisions laid down in Paragraphs *a)* and *e)* of Subsection (1) shall not affect the right of insurance companies to provide services - in accordance with the provisions of this Act - under specific other legislation to the social security system and to voluntary mutual insurance funds, private pension funds and institutions for occupational retirement provision.

### Section 3

(1) This Act shall not apply to an assistance activity which is otherwise included in the insurance business and is to be classified under class 18 of Part A) of Annex 1, and which fulfills all the following conditions:

*a)* the assistance is provided in the event of an accident or breakdown involving a motor vehicle and the accident or breakdown occurs on the territory of the Member State of the commitment;

*b)* the liability for the assistance is limited to the following operations:

*ba)* an on-the-spot breakdown service for which the insurance company providing cover uses, in most circumstances, its own staff and equipment,

*bb)* the conveyance of the motor vehicle to the nearest or the most appropriate location at which repairs may be carried out and the possible accompaniment, where applicable by the same means of assistance, of the driver and passengers to the nearest location from where they may continue their journey by other means, and

*bc)* the conveyance of the vehicle, possibly accompanied by the driver and passengers, to their home, point of departure or original destination within the same State; and

*c)* the assistance is not carried out by a company subject to this Act.

(2) In the cases referred to in Subparagraphs *ba)* and *bb)* of Paragraph *b)* of Subsection (1), the condition that the accident or breakdown must have happened on the territory of the Member State of the commitment shall not apply where the beneficiary is a member of the body providing cover and the breakdown service or conveyance of the vehicle is provided simply on presentation of a membership card, without any additional premium being paid, by a similar body in the country concerned on the basis of a reciprocal agreement.

## 2. Definitions

### Section 4

(1) For the purposes of this Act:

1. 'AIF' shall have the same meaning as defined in Act XVI of 2014 on Collective Investment Trusts and Their Managers, and on the Amendment of Financial Regulations (hereinafter referred to as "Collective Investments Act");

2. 'UCITS' shall have the same meaning as defined in the Collective Investments Act;

3. 'subordinated loan capital' shall mean all loans effectively provided to the insurance company if the loan agreement contains a clause to permit use of the loan amount to settle the liabilities of the insurance company and the lender's claim ranks after the claims of all other creditors but before the shareholders and if the original maturity of the loan is for more than five years;

4. 'parent company' shall mean any company which effectively exercises a controlling influence over another company;

5. identification data:

a) 'personal identification data and address of natural persons' shall mean natural identification data, citizenship, home address, mailing address,

b) 'company identification data' shall mean the name, abbreviated name, registered address, place of business and branch, tax number of the company and the name and position of authorized representatives;

6. 'unit-linked life insurance' shall mean a type of life insurance product where the insurance company places the amount of the technical provisions relating to the insurance contract into individual, separately managed stocks of assets (asset funds) created by the insurance company comprising theoretical settlement components of identical value (investment units) having its own investment policy, or into other investment funds operated by a company authorized to manage investment funds, whichever is selected by the insured party, for the purpose of investment, according to the terms and conditions laid down in the contract;

7. 'line of insurance' shall mean the two main groups of insurance distinguished on the basis of risk criteria, specifically, non-life insurance (Annex 1) or life insurance (Annex 2);

8. 'class of insurance' shall mean a subgroup within a line of insurance consisting of services covering the same or similar perils;

9. 'branch of insurance' means a group of specific perils within a class of insurance;

10. 'insurance product' shall mean a specific policy designed to provide coverage for specific perils or groups of perils under predetermined terms and settlement conditions;

11. 'insurance services' shall mean underwriting insurance in a commitment that is based on an insurance contract, whereby the insurance company undertakes to designate a group of persons deemed to be exposed to the same risk or similar perils (risk group) in order to assess the risks that can be insured and measured by mathematical and statistical means, establish and collect a consideration (premium) for the commitment, set up specific reserves, assume the risks stipulated and provide services as contracted, including the pursuit of activities for the provision of annuity benefits carried out on a commercial basis, irrespective of whether consideration for the commitment represents payment of a specific sum of money (premium) or any other form of remuneration;

12. 'insurance secret' shall mean all data - other than classified information - in the possession of insurance companies, reinsurance companies and insurance intermediaries that pertain to the personal circumstances and financial situations (or business affairs) of their clients (including claimants), and the contracts of clients with insurance companies and reinsurance companies;

13. 'insurance business' shall mean a homogenous group of insurance or reinsurance risks which are to be handled separately due to the nature of the risks which they propose to cover, for the purpose of maintenance of technical provisions and for the purpose of calculating the minimum capital requirement as provided for in Annex I of the regulation of the European Commission (hereinafter referred to as "Commission") under Article 86(1)e) of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (hereinafter referred to as "Solvency II Directive");

14.1 'insurance mediation activity' shall mean the business of insurance distribution carried out by insurance intermediaries, and the arrangement thereof, including consultancy by independent insurance intermediaries, with the proviso that the activities provided for in Paragraphs *a)-d)* of Point 123 shall not qualify as insurance mediation activities;

15.2 'insurance intermediary' shall mean any natural or legal person who, for remuneration, pursues the activity of insurance mediation, excluding:

*a)*<sup>3</sup> insurance companies pursuing distribution activities on their own right in connection with their own risks and, natural persons, other than insurance intermediaries, engaged under contract of employment for carrying out distribution activities directly on their behalf (hereinafter referred to as "insurance company contributors"),

*b)*<sup>4</sup> reinsurance companies pursuing distribution activities on their own right in connection with their own risks, and natural persons, other than reinsurance intermediaries, engaged under contract of employment for carrying out distribution activities directly on their behalf (hereinafter referred to as "reinsurance company contributors"),

*c)* ancillary insurance intermediaries (including the person referred to in Subsection (1) of Section 368);

16. 'underwriting risk' shall mean the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions;

17. 'technical provisions' shall mean the value of technical provisions of insurance companies - other than those covered by Part Six - and reinsurance companies corresponding to the current amount insurance and reinsurance companies would have to pay if they were to transfer their insurance and reinsurance obligations immediately to another insurance or reinsurance company;

18. 'insurance company' shall mean an organization authorized to engage in insurance activities under Hungarian law or the laws of a Member State;

19. 'insurance holding company' shall mean a parent company which is not a mixed financial holding company and the main business of which is to acquire and hold participations in subsidiary companies, where those subsidiary companies are exclusively or mainly insurance companies, reinsurance companies, third-country insurance companies or third-country reinsurance companies, at least one of such subsidiary companies being an insurance company or a reinsurance company;

20. 'gross technical provisions' shall mean the total of technical provisions of accountancy, calculated net of reinsurance, that is the sum total of the technical provisions of accountancy set aside by the insurance company and the technical provisions of accountancy on risks covered by reinsurance;

21.5 'clean criminal record' shall mean where a clean criminal record is guaranteed in connection with the criminal offenses specified:

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1 Established by Subsection (1) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

2 Established by Subsection (1) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

3 Amended by Point 1 of Section 181 of Act CXXVI of 2018.

4 Amended by Point 1 of Section 181 of Act CXXVI of 2018.

5 Established by Subsection (2) of Section 142 of Act CXLV of 2017, effective as of 1 January 2018.

a) in Chapter XV, Title III Act IV of 1978 on the Criminal Code (hereinafter referred to as "Act IV/1978") in force until 30 June 2013, specifically, false accusation (Act IV/1978, Section 233), misleading of authority (Act IV/1978, Section 237), perjury (Act IV/1978, Section 238), subornation of perjury (Act IV/1978, Section 242), suppressing extenuating circumstances (Act IV/1978, Section 243), harboring a criminal (Act IV/1978, Section 244), the criminal offenses specified in titles VII and VIII of Chapter XV of Act IV/1978, acts of terrorism (Act IV/1978, Section 261), violation of international economic sanctions (Act IV/1978, Section 261/A), seizure of an aircraft, of any means of railway, water or road transport or of any means of freight transport (Act IV/1978, Section 262), illegal possession of explosives and destructive devices (Act IV/1978, Section 263), criminal misuse of firearms and ammunition (Act IV/1978, Section 263/A), criminal misuse of military items and services, and dual-use items (Act IV/1978, Section 263/B), affiliation with organized crime (Act IV/1978, Section 263/C), crimes in connection with nuclear energy (Act IV/1978, Section 264/B), criminal misuse of weapons prohibited by international convention (Act IV/1978, Section 264/C), taking the law into one's own hands (Act IV/1978, Section 273), the criminal offenses specified in Title III of Chapter XVI of Act IV/1978, and the criminal offenses specified in Chapters XVII and XVIII of Act IV/1978,

b) in Act C of 2012 on the Criminal Code (hereinafter referred to as "Criminal Code"), specifically, crimes in connection with atomic energy (Criminal Code, Section 252), misuse of classified information (Criminal Code, Section 265), false accusation [Criminal Code, Subsections (1)-(4) of Section 268], misleading of authority [Criminal Code, Subsection (1) of Section 271], perjury (Criminal Code, Section 272), subornation of perjury (Criminal Code, Section 276), suppressing extenuating circumstances [Criminal Code, Subsections (1)-(2) of Section 281], harboring a criminal (Criminal Code, Section 282), the criminal offenses specified in Chapter XXVII of the Criminal Code, acts of terrorism (Criminal Code, Sections 314-316/A), failure to report a terrorist act (Criminal Code, Section 317), terrorist financing (Criminal Code, Sections 318-318/A) or incitement to war (Criminal Code, Section 331), unlawful seizure of a vehicle (Criminal Code, Section 320), participation in a criminal organization (Criminal Code, Section 321), criminal misuse of explosives or blasting agents (Criminal Code, Section 324), criminal misuse of firearms and ammunition (Criminal Code, Section 325), crimes with weapons prohibited by international convention (Criminal Code, Section 326), violation of international economic sanctions (Criminal Code, Section 327), misprision of violation of international economic sanctions (Criminal Code, Section 328), criminal misuse of military items and services (Criminal Code, Section 329), criminal misuse of dual-use items (Criminal Code, Section 330), or incitement to war (Criminal Code, Section 331), and the criminal offenses defined in Chapters XXXIII and XXXV-XLIII of the Criminal Code;

22. 'group' shall have the same meaning as defined in the Act on the Supplementary Supervision of Financial Conglomerates;

23. 'EEA Member State' shall mean any State that is a party to the Agreement on the European Economic Area;

24. 'single-premium life insurance policy' shall mean any life insurance policy requiring one premium payment, payable up front at the beginning of the insured period;

25. 'co-insurance' shall mean a service provided by several insurance companies for a global premium by means of a single contract for covering loss arising upon the occurrence of a specific future event in connection with risks specified in a contract or providing benefits under contractual conditions in the proportions laid down in writing in advance as well as the creation and management of reserves by each insurance company as consistent with their respective share of the commitment;

26. 'controlling influence' shall have the same meaning as defined in Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter referred to as "Banking Act");

27. 'inflation escalation' shall mean the annual adjustment of the insurance premium and the amount of coverage, irrespective of the number of claims, consistent with the level of inflation;

28. 'securities lending and securities borrowing' shall have the same meaning as defined in Act CXX of 2001 on the Capital Market (hereinafter referred to as "CMA");

29. 'asset fund' shall mean assets set aside from the premiums of unit-linked life insurance policies - less the deductions provided for in the insurance contract - for investment purposes;

30. 'supervisory authority' shall mean the authority delegated by law for the financial supervision of insurance and reinsurance companies and insurance intermediaries;

31. 'supervisory reporting' shall mean the obligation of insurance companies - other than those covered by Part Six - and reinsurance companies, and special purpose vehicles to supply to the Authority numerical and textual information on a yearly and quarterly basis;

32. 'finite reinsurance' shall mean reinsurance under which the explicit maximum loss potential, expressed as the maximum economic risk transferred, arising both from a significant underwriting risk and timing risk transfer, exceeds the premium over the lifetime of the contract by a limited but significant amount, together with at least one of the following two features:

a) explicit and material consideration of the time value of money,

b) contractual provisions to moderate the balance of economic experience between the parties over the full term of the contract to achieve the target risk transfer;

33. 'consumer' shall have the same meaning as defined in the Act on the Prohibition of Unfair Business-to-Consumer Commercial Practices;

34.<sup>1</sup> 'tied insurance intermediary' shall mean any person who carries on the activity of insurance mediation:

a) for and on behalf of one insurance company or for and on behalf of one or more insurance companies in the case of insurance products which are not in competition (hereinafter referred to as "agent"),

b) for and on behalf of more than one insurance companies contemporaneously in the case of insurance products which are in competition (hereinafter referred to as "multiple agent");

35. 'independent insurance intermediary' shall mean any person who carries on the activity of insurance mediation for and on behalf of a client;

36.<sup>2</sup> 'economic operator' shall have the same meaning as defined in Act CXXX of 2016 on the Code of Civil Procedure;

37. 'third country' shall mean any country that is not a member of the European Union;

38. 'third-country insurance company' shall mean any third-country organization authorized to pursue insurance activities under the laws of the country where it is established and such activities would require authorization under this Act if its registered office were in Hungary;

39. 'third-country reinsurance company' shall mean any third-country organization that is not a third-country insurance company and that is authorized to pursue reinsurance activities under the laws of the country where it is established and such activities would require authorization under this Act if its registered office were in Hungary;

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1 Established by Subsection (3) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

2 Amended by Point 1 of Section 484 of Act L of 2017.

40.1 'cross-border services' shall mean where the Member State of the commitment relating to the activities of an insurance or reinsurance company, or insurance intermediary is other than the Member State where the insurance or reinsurance company, or insurance intermediary has its registered office or head office, and in the case of insurance intermediaries, reinsurance intermediaries and ancillary insurance intermediaries a service that an insurance intermediary, reinsurance intermediary and ancillary insurance intermediary provides in the host Member State;

41. 'illiquid assets' shall mean assets held in an asset fund whose value cannot be determined, including if no reliable information is available on market prices due to the fact that trading and dealing in the assets in question, including quote-driven trading, has been suspended;

42. 'matching adjustment' shall mean adjustment to the relevant risk-free interest rate term structure applied by insurance and reinsurance companies holding bonds to maturity or other assets with similar cash flow characteristics so that they are not exposed to the risk of changing spreads on those assets;

43. 'initial capital' shall mean the subscribed capital of a mutual association at the time of foundation;

44.2 'Information Center' shall have the same meaning as defined in the MVI;

45. 'annuity benefits' shall mean payments made to the beneficiary periodically under contract;

46. 'subscribed capital and equity' shall mean subscribed capital and equity as defined in the Act on Accounting (hereinafter referred to as "Accounting Act");

47. 'risk profile' means the risk underlying the classification of the insurance products covering the risks classified under several classes of insurance or under several branches of the same class of insurance. The products covering the risks classified under several classes of insurance or under several branches of the same class of insurance shall be classified under a single class of insurance, or branch of insurance, that corresponds with the class or branch of insurance to which the largest part of the premium pertains according to the premium calculation of the insurance product in question;

48. 'legal expenses insurance' shall mean a policy offering coverage of costs of litigation along with other services for a premium, such as in particular:

a) indemnification of loss suffered by, and restitution awarded to, the insured person by way of out-of-court settlement or in civil or criminal proceedings,

b) defense or representation of the insured person in civil, criminal or administrative or other proceedings or if a claim is filed against the insured person for compensation for damages or for any claim for restitution;

49.3 'commission' shall mean any form of remuneration, comprising a specific percentage of the insurance premium, provided to the insurance intermediary in exchange for his services for brokering an insurance contract, or in connection with the performance of the insurance contract he has brokered or maintained, also if the contract is retained for a designated period of time, directly by the insurance company underwriting the risk;

50.4 'entitlement to commission' shall mean the tied insurance intermediary's entitlement to commission accrued for the insured period in connection with an insurance contract he has brokered or maintained within the framework of an intermediary relationship, in certain specific cases and to a predetermined extent covering also a period following the termination of the intermediary's relationship if the insurance contract existed continually;

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1 Established by Subsection (4) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

2 Amended by Paragraph a) of Section 213 of Act CXLV of 2017.

3 Established by Subsection (5) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

4 Established by Subsection (5) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.



51.1 'commission repayment' shall mean the tied insurance intermediary's obligation imposed on the basis of intermediary relationship to repay commission under certain conditions in part or in whole, as commensurate with changes in the circumstances underlying the payment of commission, if the insurance contract the insurance intermediary has brokered is prematurely terminated (independent of any insured event) or the premium changes to an extent where it no longer covers the amount of the commission paid;

52. 'affiliated company' shall mean a subsidiary company or a company in which another company has a participating interest, and any company that is connected with another company by either of the following ways without exercising controlling influence:

a) that company and one or more other companies with which it is not connected are managed on a unified basis pursuant to a contract concluded with that company or provisions in the instrument of constitution or articles of association of those companies, or

b) the administrative, management or supervisory bodies of that company and of one or more other companies consist for the major part of the same persons;

53. 'claims adjustment representative' shall have the same meaning as defined in the MVI;

54. 'claims representative' shall have the same meaning as defined in the MVI;

55. 'Kártalanítási Alap (*Claims Guarantee Fund*)' shall have the same meaning as defined in the MVI;

56. 'Kártalanítási Számla (*Compensation Fund*)' shall have the same meaning as defined in the MVI;

57. 'Kártalanítási Szervezet (*Claims Organization*)' shall mean a body set up by insurance companies to function as a claims organization within the meaning of the MVI;

58. 'agent for service of process' means an attorney or law office registered on the territory of Hungary, or the applicant's insurer, reinsurer or insurance intermediary registered on the territory of Hungary, and their employees;

59. 'risk-mitigation techniques' shall mean all techniques used by insurance companies which enable insurance and reinsurance companies to transfer part or all of their risks to another party;

60. 'risk measure' shall mean a mathematical function which assigns a monetary amount to a given probability distribution forecast and increases monotonically with the level of risk exposure underlying that probability distribution forecast;

61. 'concentration risk' shall mean all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of insurance and reinsurance companies;

62. 'Member State of the commitment' shall mean the Member State:

a) for risks covered under the life insurance branch:

aa) where the policyholder has his permanent residence, if a natural person, or

ab) where the policyholder's registered office, to which the contract relates, is situated, if a legal person;

b) for risks covered under the non-life insurance branch:

ba) the Member State in which the real estate property is situated if the insurance relates to buildings and their contents, in so far as the contents are covered by the same insurance policy,

bb) the Member State that is considered the State of the commitment by definition of the MVI for risks covering any type of motor vehicle,

bc) the Member State where the policyholder took out the policy in the case of policies of a duration of four months or less covering travel or holiday risks, whatever the class concerned,

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1 Established by Subsection (5) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

*bd)* the Member State where the policyholder has his normal place of residence or, if the policyholder is a legal person, the Member State where the latter's establishment, to which the contract relates, is situated, in all cases not explicitly covered by Subparagraphs *ba)*, *bb)* and *bc)*;

63. 'policy loan' shall mean a loan - not treated as a financial service - that may be provided by the insurance company to the holder of a life insurance policy up to its cash surrender value and which is settled by the insurance company and the policyholder upon or before the occurrence of the insurance event or when the contract terminates;

64. 'close relative' shall have the same meaning as defined in Act V of 2013 on the Civil Code (hereinafter referred to as "Civil Code"), including domestic partners;

65.<sup>1</sup> 'public-interest insurance and reinsurance company' shall mean any insurance company or reinsurance company provided for in this Act, excluding small insurance companies covered by Part Six and mutual associations;

66. 'indirect holding' shall mean control of shares in the capital or exercise of voting rights in a company (hereinafter referred to as "original company") through the shares or voting rights held by another company in the original company (hereinafter referred to as "intermediary company"), as provided for in Annex 5;

67. 'special purpose vehicle' means a company authorized in any Member State, other than an existing insurance or reinsurance company, that is authorized to assume risks from insurance or reinsurance companies and which fully funds its exposure to such risks through the proceeds of a debt issuance or some other financing mechanism;

68.<sup>2</sup> 'special purpose instrument' shall mean an instrument issued by a special purpose vehicle, where the repayment rights of the providers of debt securities or other financing mechanism are subordinated to the insurance or reinsurance obligations of such a vehicle;

69. 'subsidiary' shall mean any company over which another company effectively exercises a controlling influence. All subsidiaries of subsidiary companies shall be considered subsidiaries of the parent company;

70. 'correspondent' shall have the same meaning as defined in the MVI;

71. 'liquidity risk' shall mean the risk that insurance and reinsurance companies are unable to realize investments and other assets in order to settle their financial obligations when they fall due;

72. 'residual rights' shall mean the rights defined in the terms and conditions of a life insurance contract that remain in the case of non-payment of premium and/or the termination of the contract without payment of the sum insured;

73. 'compliance policy' shall mean a document laying down the scope of responsibilities and authorities, and the obligation of reporting of persons involved in the compliance function;

74. 'compliance strategy' shall mean a document containing the proposed activities of the compliance function, taking into account all major aspects of the insurance company's activities and their exposure to compliance risk;

75. 'life insurance with savings element' shall mean life insurance policies, other than death risk policies, that generates a savings element and that provides benefits upon expiry or that features the option of surrendering the policy for its cash surrender value, or both in some cases;

76. 'minimum guarantee fund' shall mean the commitments undertaken upon the commencement of operations;

77. 'qualifying interest' shall mean a direct or indirect relationship entered into with a company by virtue of which the holder of the qualifying interest:

*a)* controls ten per cent or more of the company's capital or exercises ten per cent or more of the voting rights,

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1 Established by Section 282 of Act LXXXV of 2015, effective as of 2 January 2016.

2 Amended by Point 1 of Subsection (1) of Section 175 of Act LIII of 2016.

b) has powers to appoint or remove twenty per cent or more of the members of the company's decision-making, management, supervisory and other bodies, or

c) has powers to exercise significant influence over the management of the company as laid down in the instrument of constitution or in contract. In determining the extent of qualifying interest all direct and indirect interest shall be included collectively and Subsections (2)-(6) of Section 37/A of Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities shall apply *mutatis mutandis*;

78. 'operational risk' shall mean the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events;

79. 'large risks' shall mean:

a)<sup>1</sup> risks classified under classes 4-7, 11 and 12 in Part A) of Annex 1, if the amount of coverage is higher than 500 million forints;

b)<sup>2</sup> risks classified under classes 14 and 15 in Part A) of Annex 1, where the policyholder is engaged professionally in an industrial or commercial activity or in one of the liberal professions and the risks relate to such activity, and if the amount of coverage is higher than 200 million forints;

c)<sup>3</sup> risks classified under classes 3, 8-10, 13 and 16 in Part A) of Annex I in so far as the policyholder exceeds the limits of at least two of the following criteria, if the policyholder is included in consolidation, with respect to the consolidated annual report:

ca)<sup>4</sup> a balance-sheet total of 6.6 million euro,

cb)<sup>5</sup> a net turnover of 13.6 million euro,

cc) an average number of 250 employees or more during the financial year;

80. 'National Bureau' shall have the same meaning as defined in the MVI;

81. 'reinsurance cessions' shall mean when certain risks of an insurance company are ceded to a reinsurance company or an insurance company under reinsurance contract;

82. 'financial organization' shall mean an organization covered by the acts enumerated in Paragraphs a), c), f), h) and k)-m) of Subsection (1) of Section 39 of Act CXXXIX of 2013 on the National Bank of Hungary;

83. 'regular or periodical premium life insurance policy' shall mean any life insurance policy where premium payments are made at regular intervals during the insured period;

84. 'reorganization measures' shall mean measures involving any intervention by the supervisory authorities which are intended to preserve or restore the financial situation of an insurance company and which affect pre-existing rights of parties other than the insurance company itself, including but not limited to measures involving the possibility of a suspension of payments, suspension of enforcement measures or reduction of claims;

85. 'participating interest' shall mean a relationship between a person (organization) and a company that constitutes the direct or indirect ownership of not less than twenty per cent and not more than fifty per cent of the voting rights or capital of the company. With respect to voting rights, the relevant provisions of the Accounting Act shall apply, regardless of whether or not the person (organization) in question is covered by the Accounting Act;

86. 'participating company' shall mean the parent company or a company holding a participation in another company (affiliated company);

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1 Enters into force as under Subsection (1) of Section 22 of Act CLXII of 2015.

2 Enters into force as under Subsection (1) of Section 22 of Act CLXII of 2015.

3 Amended by Paragraph a) of Section 146 of Act XXXIX of 2023.

4 Amended by Paragraph a) of Subsection (2) of Section 45 of Act XX of 2022.

5 Amended by Paragraph b) of Subsection (2) of Section 45 of Act XX of 2022.

87. 'assistance activity' shall mean the insurance activity which consists of assistance provided against prior payment of a premium, comprising the provider of assistance to make aid immediately available in the form of money or other means (including the use of the service provider's own staff or equipment) to the beneficiary under an assistance contract where that person is in difficulty while travelling following the occurrence of a chance event, in the cases and under the conditions set out in the contract, assistance, however, shall not cover servicing, maintenance, after-sales service or the mere indication or provision of aid as an intermediary;

88. 'regulated market' shall have the same meaning as defined in the CMA;

89. 'regulated entity' shall have the same meaning as defined in the Act on the Supplementary Supervision of Financial Conglomerates;

90. 'fit and proper requirements' shall mean conditions intended to verify the suitability of the shareholders and other persons who effectively run the companies falling within the scope of this Act;

91. 'derivative instrument' shall have the same meaning as defined in the CMA;

92. 'solvency margin' shall mean funds at the disposal of the insurance company or reinsurance company, consisting of free assets which can be mobilized to meet the insurance company's or reinsurance company's liabilities without having to obtain the consent of any third party if such liabilities of the insurance company or reinsurance company are not covered by the premiums collected or by the technical provisions;

93. 'technical provisions of accountancy' shall mean reserves maintained by way of the means and in the breakdown provided for in accounting regulations to cover future liabilities arising out of, or in connection with, insurance or reinsurance contracts, any fluctuation in claims and expected losses;

94. 'close link' shall have the same meaning as defined in the CIFE;

95. 'Member State' shall mean a country that is a member of the European Union;

96. 'technical interest rate' shall mean the rate of interest used by the insurance company when calculating the premiums and premium reserve for life and sickness insurance policies, and benefit payment reserve for accident and liability insurance policies, where the ceiling rate is specified in the relevant legislation;

97. 'total costs charged (TKM)' shall mean an indicator showing all costs charged to life insurance policies with savings element in a percentage figure;

98. 'product strategy' shall mean a plan designed for a specific risk group concerning the feasibility of a network of services intended to be distributed by the insurance company, the formal requirements for which are laid down in Annex 3;

99. 'retrocession' means the transfer of risk, in part or in whole, accepted by a reinsurance company to another reinsurance company;

100.1 'bonus' shall mean the difference between the return on investment of mathematical provisions comprising a part of technical provisions of accountancy and the yield calculated by the technical interest rate;

101.2 'client' shall mean the policyholder, the insured person, the beneficiary, the injured party, any other person who makes a contractual offer to the insurance company and who is entitled to receive benefits from the insurance company, furthermore, in the case of independent insurance intermediaries, any person who enters into a contract with an independent insurance intermediary for the purpose of brokering;

102. 'safeguarding the interests of clients' shall mean protection of the financial security of insurance services and preservation of the legal security of policyholders;

103. 'outsourcing' shall mean when any part of specific insurance activities and operations arising directly therefrom is performed by others;

104. 'business activity' shall mean gainful (for-profit) economic activities performed on a regular basis for compensation, involving the conclusion of deals which has not been individually negotiated;

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1 Enters into force as under Subsection (2) of Section 22 of Act CLXII of 2015.

2 Enters into force as under Subsection (3) of Section 22 of Act CLXII of 2015.

105. 'financial security' shall mean assets tied up in a credit institution and held in a discretionary account (cash deposits or debt securities issued or guaranteed by a credit institution or the government with a remaining maturity of more than one hundred and eighty days that can be redeemed or liquidated on demand) or a guarantee provided by a credit institution;

106. 'localization of assets' shall mean the existence of assets, whether movable or immovable, within a Member State, where movable assets are not restricted as being deposited or that immovable assets are not restricted by measures such being mortgaged. Assets represented by claims against debtors shall be regarded as situated in the Member State where they are realizable;

107.<sup>1</sup> 'enterprise' shall mean any economic operator engaged in for-profit business activities;

108. 'probability distribution forecast' shall mean a mathematical function that assigns to an exhaustive set of mutually exclusive future events a probability of realization;

109. 'mixed financial holding company' shall have the same meaning as defined in the Act on the Supplementary Supervision of Financial Conglomerates;

110. 'mixed-activity insurance holding company' shall mean a parent company other than an insurance company, a third-country insurance company, a reinsurance company, a third-country reinsurance company, an insurance holding company or a mixed financial holding company, which includes at least one EU insurance or reinsurance company among its subsidiary companies;

111. 'competing products' shall mean insurance products - not including the products of insurance companies which are owned by the same person or if one of the insurance companies is owned by the other insurance company, or they are both controlled by the same group - which are interchangeable for the client's purposes in terms of the perils they cover and the related insurance services, and they fall within the same class or the same branch of the same class of insurance under Annexes 1 and 2. The following products shall be considered to be of the same class or same branch of insurance:

a) insurance products which cover the same perils within the same class of insurance or within the same branch of the same class of insurance;

b) insurance products which cover perils within the framework of a single policy which are classified in several classes of insurance or in several branches of the same class of insurance, if their classification by class or branch of insurance is the same according to the perils they cover; or

c) insurance products classified under the same class of insurance or under the same branch of the same class of insurance, and insurance products which cover perils within the framework of a single policy which are classified in several classes of insurance or in several branches of the same class of insurance, provided that classification of the latter product by class or branch of insurance is the same according to the perils they cover as that of the prior product;

112.2 'reinsurance' shall mean

a) the activity consisting in accepting risks ceded by an insurance company or reinsurance company, or a third-country insurance company or reinsurance companies, in whole or in part in return for a fee under contract;

b) in the case of the association of underwriters known as Lloyd's, the activity consisting in accepting risks, ceded by any member of Lloyd's, by an insurance or reinsurance company other than the association of underwriters known as Lloyd's; or

c) the provision of cover by a reinsurance company to an institution for occupational retirement provision;

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1 Amended by Section 124 of Act CXXX of 2017.

2 Established by Section 161 of Act CXXVI of 2018, effective as of 13 January 2019.

113.1 'reinsurance mediation activity' shall mean the business of reinsurance distribution carried out by reinsurance companies, and the arrangement thereof, with the proviso that the activities provided for in Paragraphs *a)-d)* of Point 124 shall not qualify as reinsurance mediation activities;

114.2 'reinsurance intermediary' shall mean any natural or legal person who, for remuneration, pursues the activity of reinsurance mediation, excluding reinsurance companies pursuing distribution activities on their own right in connection with their own risks, and their contributors;

115. 'reinsurance company' shall mean a company which has received official authorization to engage exclusively in reinsurance activities and activities involved in or closely related to reinsurance under the laws of the Member State in which the reinsurance company has its head office;

116. 'reinsurance holding company' shall mean a parent company, other than a mixed financial holding company, the main business of which is to acquire and hold participations in subsidiary companies, where those subsidiary companies are reinsurance companies or third-country insurance companies, and at least one of such subsidiary companies being an EU reinsurance company;

117. 'volatility adjustment' shall mean adjustment to the relevant risk-free interest rate term structure to mitigate the effect of exaggerations of spreads on own funds;

118. 'captive insurance company' shall mean an insurance company the purpose of which is to provide insurance cover exclusively for the risks of the company or companies to which it belongs or of a company or companies of the group of which the captive insurance company is a member;

119. 'captive reinsurance company' shall mean a reinsurance company the purpose of which is to provide reinsurance cover exclusively for the risks of the company or companies to which it belongs or of a company or companies of the group of which the captive reinsurance company is a member;

120.3 'external credit assessment institution' shall have the same meaning as defined in the CIFE;

121.4 'durable medium' shall have the same meaning as defined in Paragraph *e)* of Subsection (1) of Section 2 of Act XXV of 2005 on the Distance Marketing of Consumer Financial Services, with the proviso that it must also allow the unchanged reproduction of the information stored;

122.5 'fundamental spread' shall mean the credit spread corresponding to the probability of default of the assets and the credit spread corresponding to the expected loss resulting from downgrading of the assets;

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1 Established by Subsection (6) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

2 Established by Subsection (6) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

3 Enters into force as under Subsection (4) of Section 22 of Act CLXII of 2015.

4 Established by Subsection (7) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

5 Enters into force as under Subsection (4) of Section 22 of Act CLXII of 2015.

123.1 'insurance distribution' shall mean the business of insurance distribution activities of advising on, proposing, or carrying out other work preparatory to the conclusion of contracts of insurance, or - in particular contracts of insurance concluded by credit institutions specified in the CIFE -, of concluding such contracts, or of assisting in the administration and performance of such contracts, - or the joining of new policyholders to group insurance contracts in particular by credit institutions specified in the CIFE -, in particular in the event of a claim, including the cases when the client is able to make an offer directly or indirectly for the conclusion of an insurance contract using a website or other media, and to conclude an insurance contract on that basis, and the provision of information concerning insurance contracts in accordance with criteria selected by clients and the compilation of an insurance product ranking list, including price and product comparison, or a discount on the price of an insurance contract, where the following shall not be considered to constitute insurance distribution:

a) the provision of information on an incidental basis in the context of another professional activity, where the provider does not take any additional steps to assist in concluding or performing an insurance contract;

b) the management of claims of an insurance company on a professional basis, and loss adjusting and expert appraisal of claims;

c) the mere provision of data and information on potential policyholders to insurance intermediaries or insurance companies where the provider does not take any additional steps to assist in the conclusion of an insurance contract;

d) the mere provision of information about insurance products, an insurance intermediary or an insurance company to potential policyholders where the provider does not take any additional steps to assist in the conclusion of an insurance contract;

124.2 'reinsurance distribution' shall mean the business of reinsurance distribution activities of advising on, proposing, or carrying out other work preparatory to the conclusion of contracts of reinsurance, of concluding such contracts, or of assisting in the administration and performance of such contracts, in particular in the event of a claim, where the following shall not be considered to constitute reinsurance distribution:

a) the provision of information on an incidental basis in the context of another professional activity where the purpose of that activity is not to assist the client in concluding or performing a reinsurance contract;

b) the management of claims of a reinsurance company on a professional basis, and loss adjusting and expert appraisal of claims;

c) the mere provision of data and information on potential policyholders to reinsurance intermediaries or reinsurance companies where the provider does not take any additional steps to assist in the conclusion of a reinsurance contract;

d) the mere provision of information about reinsurance products, a reinsurance intermediary or a reinsurance company to potential policyholders where the information provider does not take any additional steps to assist in the conclusion of a reinsurance contract;

125.3 'ancillary insurance intermediary' shall mean any natural or legal person, other than a credit institution or an investment firm as defined in points (1) and (2) of Article 4(1) of Regulation 575/2013/EU of the European Parliament and of the Council, who, for remuneration pursues the activity of insurance distribution in addition to its principle activity on an ancillary basis, on behalf of an insurance company, multiple agent or broker, under their responsibility, provided that all the following conditions are met:

a) the principal professional activity of the person is other than insurance distribution;

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1 Established by Section 43 of Act XX of 2022, effective as of 6 August 2022.

2 Enacted by Subsection (8) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

3 Enacted by Subsection (8) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

b)<sup>1</sup> the insurance product is complementary to the product or service supplied by any provider;

c)<sup>2</sup> the insurance products concerned do not cover life insurance or liability risks, unless the cover of such life insurance or liability risks complements the good or service which the intermediary provides as its principal professional activity;

d) any sum of money is not collected from the insurance company on the client's behalf in advance;

126.<sup>3</sup> 'insurance distributor' shall mean any insurance intermediary, ancillary insurance intermediary or insurance company;

127.<sup>4</sup> 'remuneration' shall mean any commission, fee, charge or other payment, including an economic benefit of any kind or any other financial or non-financial advantage or incentive offered or given in respect of insurance distribution activities;

128.<sup>5</sup> 'home Member State of an insurance intermediary, reinsurance intermediary and ancillary insurance intermediary' shall mean, where the intermediary is a natural person, the Member State in which his or her residence is situated, where the intermediary is a legal person, the Member State in which its registered office is situated or, if under its national law it has no registered office, the Member State in which its head office is situated;

129.<sup>6</sup> 'host Member State of an insurance intermediary, reinsurance intermediary and ancillary insurance intermediary' shall mean the Member State - other than the home Member State - in which the insurance intermediary, reinsurance intermediary or ancillary insurance intermediary provides services incorporated as a branch or in the form of cross-border services;

130.<sup>7</sup> 'Member State branch' shall mean an agency or a branch of an insurance company, reinsurance company, insurance intermediary, reinsurance intermediary and ancillary insurance intermediaries, which is located in the territory of a Member State other than the home Member State;

131.<sup>8</sup> 'head office' shall mean the place of management of the principal activity of the insurance company, reinsurance company, insurance intermediary, reinsurance intermediary and ancillary insurance intermediary;

132.<sup>9</sup> 'advice' shall mean the provision of a personal recommendation to a client, either upon their request or at the initiative of the insurance distributor, in respect of one or more insurance contracts;

133.<sup>10</sup> 'insurance-based investment product' shall mean an insurance product which offers a maturity or surrender value and where that maturity or surrender value of such product is wholly or partially exposed, directly or indirectly, to market fluctuations, with the proviso that insurance-based investment products shall not include:

a) non-life insurance products as listed in Annex 1;

b) life insurance contracts constituting net risk policies, where the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or disability;

c) pension products (other than insurance-based investment products) which are recognized as having the primary purpose of providing the investor with an income in retirement, and which entitle the investor to certain benefits;

d) occupational pension schemes offered by institutions for occupational retirement provision;

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1 Amended by Point 2 of Section 181 of Act CXXVI of 2018.

2 Amended by Point 3 of Section 181 of Act CXXVI of 2018.

3 Enacted by Subsection (8) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

4 Enacted by Subsection (8) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

5 Enacted by Subsection (8) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

6 Enacted by Subsection (8) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

7 Enacted by Subsection (8) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

8 Enacted by Subsection (8) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

9 Enacted by Subsection (8) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.

10 Enacted by Subsection (8) of Section 142 of Act CXLV of 2017, effective as of 23 February 2018.



e) individual pension products for which a financial contribution from the employer is required and where the employer or the employee has no choice as to the pension product or provider.

(2) 'European Union' and 'Member State of the European Union' shall be construed as the European Economic Area (hereinafter referred to as "EEA") and EEA Member State, with the proviso that the provisions on EEA Member States shall also apply to the Swiss Confederation concerning classes of non-life business.

(3)<sup>1</sup> Where having no prior criminal record is prescribed mandatory by this Act for the pursuit of certain activities specified in this Act, for obtaining authorization or for filling any management position, it applies with respect to the criminal offenses provided for in Point 21 of Subsection (1), and it shall be verified:

a) in the case of Hungarian citizens, by means of an official certificate made out according to Subsection (1) of Section 71 of Act XLVII of 2009 on the Penal Register, on the Register of Judgments Delivered by the Courts of Member States of the European Union Against Hungarian Nationals, and on the Register of Biometric Data Related to Criminal Prosecution and Law Enforcement, obtained by the Authority;

b) in the case of non-Hungarian citizens, by means of a document that qualifies - under the national law of the non-Hungarian citizen - as an official instrument provided for in Paragraph a), obtained by said non-Hungarian citizen and made available to the Authority enclosed with the application.

### 3. Translation of euro sums into forints

#### *Section 5*

(1) Any provision of this Act concerning sums denominated in euro shall be construed as translated to forints for the period of the given year beginning on 1 January and ending on 31 December (hereinafter referred to as "application period").

(2) The aforesaid sums shall be translated into forints for an application period based on the average of the official daily euro to forint exchange rates published by the Magyar Nemzeti Bank (*National Bank of Hungary*) for the first ten months of the calendar year preceding the application period, rounded up to million forints.

## **BOOK TWO**

### **PROVISIONS RELATING TO INSURANCE COMPANIES AND REINSURANCE COMPANIES**

#### PART ONE

#### GENERAL RULES RELATING TO THE OPERATION OF INSURANCE COMPANIES AND REINSURANCE COMPANIES

### **CHAPTER I**

### **INSURANCE COMPANIES AND REINSURANCE COMPANIES**

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1 Enacted by Subsection (1) of Section 483 of Act L of 2017, effective as of 1 January 2018.

#### *4. General rules relating to insurance companies and reinsurance companies*

##### *Section 6*

(1) In the territory of Hungary insurance companies shall be incorporated as limited companies, European public limited-liability companies, set up as cooperative societies or mutual associations, or as branches of insurance companies established in other Member States or of third-country insurance companies.

(2) In Hungary reinsurance companies shall be incorporated as limited companies, European public limited-liability companies, set up as cooperative societies, or as branches of reinsurance companies established in other Member States or of third-country reinsurance companies.

(3) As regards the various forms of companies:

a) the relevant provisions of the Civil Code shall apply if the insurance company and reinsurance company is incorporated as a limited company;

b) the provisions of the Act on European Public Limited-Liability Companies (hereinafter referred to as "European Companies Act") shall apply if the insurance company and reinsurance company is incorporated as a European public limited-liability company;

c) the provisions of the Civil Code on cooperative societies shall apply if the insurance company and reinsurance company is set up as a cooperative society;

d) the relevant provisions of the Civil Code and the Act on the Freedom of Association, on Public-Benefit Status, and on the Activities of and Support for Civil Society Organizations (hereinafter referred to as "Civil Societies Act") shall apply if the insurance company is a mutual association;

e) the provisions of the Act on Hungarian Branch Offices and Commercial Representative Offices of Foreign-Registered Companies (hereinafter referred to as "FCA") on branches if the insurer is a branch; with the exceptions set out in this Act.

#### *5. Insurance companies and reinsurance companies incorporated as limited companies*

##### *Section 7*

(1) Limited insurance companies shall be allowed to provide the full spectrum of insurance services within the branch and class of insurance for which they are authorized, and are allowed to take up the business of reinsurance in the authorized classes of insurance, without special authorization.

(2) Limited reinsurance companies shall be allowed to perform the full spectrum of life reinsurance or non-life reinsurance activities, or both types of reinsurance activities in possession of the relevant authorization.

(3) As regards limited insurance and reinsurance companies, the lowest rate of cash contributions in their subscribed capital provided for in Paragraph a) of Subsection (2) of Section 93 shall be seventy per cent, and in-kind contributions forming a part of the subscribed capital may not include any intangible assets provided for in the Accounting Act.

(4) A limited insurance and reinsurance company may be registered in the register of companies only if, prior to the submission of the application for registration, cash contributions have been paid up in full.

(5) The provisions on limited insurance and reinsurance companies shall apply mutatis mutandis to any insurance and reinsurance company that is incorporated as a European public limited-liability company.

### *Section 8*

(1) Limited insurance and reinsurance companies shall be governed by a management body. The articles of association may not invest powers upon the chief executive officer to exercise the rights of the management body as an executive officer.

(2) Limited insurance and reinsurance companies shall not be controlled by a board of directors functioning under the one-tier system.

(3) Each limited insurance and reinsurance company shall have a supervisory board.

## *6. Cooperative insurance and reinsurance companies*

### *Section 9*

(1) Cooperative insurance companies shall be allowed to provide the full spectrum of insurance services within the branch and class of insurance for which they are authorized, and are allowed to take up the business of reinsurance in the authorized classes of insurance, without special authorization.

(2) Cooperative reinsurance companies shall be allowed to perform the full spectrum of life reinsurance or non-life reinsurance activities, or both types of reinsurance activities in possession of the relevant authorization.

### *Section 10*

(1) A cooperative insurance company and cooperative reinsurance company may be founded by not less than ten members.

(2) The lowest rate of cash contributions forming part of the minimum amount of capital provided for in Paragraph *b*) of Subsection (2) of Section 93 subscribed by the members of the cooperative society shall be at least seventy per cent.

(3) In-kind contributions forming part of the capital provided for in Paragraph *b*) of Subsection (2) of Section 93 may not include any intangible assets provided for in the Accounting Act.

(4) The cooperative society may not transfer the cooperative's assets, or any part thereof, into the fellowship fund.

### *Section 11*

A cooperative insurance and reinsurance company may be registered in the register of companies only if, prior to the submission of the application for registration, cash contributions have been paid up in full.

### *Section 12*

(1) In addition to what is contained in the Civil Code, the statutes of the cooperative insurance and reinsurance company shall specify:

*a*) the cooperative insurance or cooperative reinsurance company's scope of activities broken down by branches and classes of insurance,

*b*) the principles governing the use of the cooperative insurance or cooperative reinsurance company's after-tax profit.

(2) In the case of cooperative insurance or cooperative reinsurance companies, the supplementary payment required may be up to one hundred per cent of the member's capital contribution, as prescribed in the statutes.

### *Section 13*

Persons who are not members of, or not employed by the cooperative society under contract of employment may also be elected to the management body.

### *Section 14*

(1) Members of the supervisory board may not be employed by the cooperative society under contract of employment.

(2) Membership in the cooperative society is not a prerequisite for holding a seat on the supervisory board.

### *Section 15*

(1)<sup>1</sup> No payment may be made to a former member of a cooperative insurance company or cooperative reinsurance company, or to his successor on the basis of the accounts, if, as in consequence:

a) the insurer would no longer hold eligible own funds covering the solvency capital requirement,

b) the insurer would no longer comply with the requirement for eligible own funds covering the minimum capital requirement in the case of insurance companies covered by Part Six, or

c) an insurance emergency is likely to occur.

(2) Payment may be postponed on the basis of Subsection (1) for up to four years.

(3) Former members or their successors shall receive a share from the profit of the cooperative until the final settlement of accounts.

### *Section 16*

A cooperative insurance company or cooperative reinsurance company may only be transformed into a limited insurance company or a limited reinsurance company.

## *7. Mutual associations*

### *Section 17*

(1) Mutual associations are mutual-type associations established to provide predetermined services for a premium exclusively to its members under insurance contract - other than reinsurance cessions -, upon the occurrence of insured events. The perils covered and the technical principles are defined in the terms and conditions of insurance.

(2) An insurance contract shall be concluded as a precondition for admission into a mutual association.

(3) Unless the statutes of the association provides otherwise, upon termination of the insurance contract membership shall not cease to exist:

a) if the member continues to pay the membership fee; or

b) if the member, who is not required to pay membership fees, satisfies other obligations stemming from his membership, and obtains another insurance policy within one year.

### *Section 18*

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1 Established by Section 153 of Act LIII of 2016, effective as of 1 July 2016.

The extended application of the provisions on insurance contracts provided for in the Civil Code (Civil Code, Section 6:457) shall apply to insurance relationships under insurance contracts concluded within the framework of mutual association membership.

### *Section 19*

(1) The cash contribution forming part of the initial capital provided for in Paragraph c) of Subsection (2) of Section 93 shall be at least seventy per cent for mutual associations.

(2) A mutual association shall receive authorization for the taking up of operations only if all of the cash contributions of the initial capital are paid up in full.

(3) Mutual associations must clearly indicate in their corporate name the fact that they are set up as mutual associations.

### *Section 20*

Mutual associations shall be allowed to provide the full spectrum of insurance services within the branch and class of insurance for which they are authorized, and are allowed to take up the business of reinsurance in the authorized classes of insurance, without special authorization.

### *Section 21*

(1) In addition to what is contained in the Civil Code, the statutes of the mutual association shall specify:

- a) the mutual association's scope of activities;
- b) the amount of the initial capital and the manner in which it is to be paid up;
- c) the criteria for determining the amount of the membership fee, and the terms and conditions of payment;
- d) the principles on the appropriation of any profit;
- e) the procedure for covering any losses;
- f) additional contributions members are required to provide, and - with the exception set out in Subsection (2) - instructions relating to the possibility of any cutback in services for the eventuality where other resources are insufficient to cover the association's liabilities for the year;
- g) the appropriation of the association's assets in case of dissolution and the ways of settling existing liabilities, including underwriting obligations apart from other liabilities;
- h) the rules for presenting a motion for the mutual association's transformation, merger or division, including the case defined in Subsection (1) of Section 27, and dissolution, submitted to the supreme body.

(2) No cutback in services as defined in Paragraph f) of Subsection (1) hereof is allowed in respect of liability insurance policies concluded by a mutual association.

(3) In the case of dissolution of a mutual association, the provisions of Section 3:85 of the Civil Code on the transfer of assets shall apply only in the absence of any provision of the statutes relating to the appropriation of the association's assets under Paragraph g) of Subsection (1) hereof, or in the event of impossibility of their performance.

### *Section 22*

(1) The supreme body of any mutual association averaging over one hundred members over three consecutive calendar years shall elect at its next annual meeting a management body composed of an odd number of members, at least three and not more than eleven persons.

(2) Regardless of the title denoted in the statutes,  
a) 'board of directors' shall mean the association's management and representative body;

b) 'supervisory board' shall mean the body overseeing the activities of the management and representative body.

(3) Unless otherwise provided for by the statutes, the supreme body shall elect the members of the management body and the supervisory board by secret ballot, for the term specified in the statutes. The mandate of members of the management body and the supervisory board shall take effect upon the declaration of acceptance made by the person affected.

(4) The meeting of the supreme body shall be called according to the procedure set out in the statutes, by means of an invitation sent to the members. The statutes may contain provisions for sending the invitation to the meeting of the supreme body by way of electronic means to the members who specifically requested it.

### Section 23

(1) The college of delegates composed of up to fifty members shall function as the supreme body of a mutual association averaging over one thousand members over three consecutive years. The delegates shall be elected - as provided for in the statutes - by, and from among, the members proportionately, for a period of five years. The rules of the election and removal of delegates shall be laid down in the statutes of the mutual association. The statutes shall provide for the representation of new members.

👉(2)<sup>1</sup> The general meeting for electing delegates shall be called by way of the means set out in the statutes, in any case by means of a notice posted on the mutual association's website. The statutes may require that the notice on calling the general meeting for electing delegates shall be sent by way of electronic means to the members who specifically requested it, in addition to being posted on the website. In the event of any deviation between the notice published on the website and the notice sent to the members by way of electronic means, the published notice shall prevail.

### Section 24

(1) The management body of the mutual association shall have powers to order payment of additional contributions or the cutback of services according to Paragraph f) of Subsection (1) of Section 21, to be prescribed in the articles of association, and to determine the extent thereof.

(2) Where a situation develops at a mutual association that is treated as an emergency under this Act, the Authority shall have powers to order - in addition to what is contained in Subsection (2) of Section 320 - additional contributions, if the management body of the mutual association failed to comply with the Authority's prior request to that effect.

(3) When additional payment of contribution is required, the payment to be paid by any member of the mutual association may not exceed one hundred per cent of the annual payments required to be made by the member of the mutual association on any grounds to the mutual association, exclusive of additional contributions.

(4) The mutual association's management body may order former members of the association to make additional contributions, provided that membership of the member concerned was terminated inside a period of one year before the call for additional contributions was made.

(5) The mutual association's management body shall have powers to order payment of additional contributions or to cut back services affecting all members of the mutual association, or certain groups of members of different branches and classes of insurance.

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1 Established by Subsection (1) of Section 64 of Act CIX of 2023, effective as of 1 January 2024.

*Section 25*

(1) Membership fees, and the possibility of calling up additional contributions and for cutting services back, and the relevant circumstances shall, under the same conditions, be defined in the statutes by the same principles.

(2) The membership fees of or additional contributions by members joining or leaving the association during the year shall be prescribed as commensurate.

(3) Additional contributions shall be ordered consistent with any increase in membership contributions or any cutback in services during the year.

*Section 25/A<sup>1</sup>*

A share of the profits for the year, in the percentage specified in the statutes, shall be distributed among the members in the manner defined in the statutes, if following the payment of such share the solvency margin remains to exceed double of the minimum capital requirement, or - if this is higher - double of the minimum guarantee fund.

*Section 26*

(1) In order to improve the stability of a mutual association, or to restore stability where applicable, the Authority may order the mutual association to cede up to ninety per cent of its underwriting obligations to a reinsurance operator as deemed appropriate having regard to conformity with insurance obligations.

(2) Mutual associations shall not be allowed to cede all of their underwriting liabilities to reinsurance operators.

*Section 27*

(1) In addition to what is contained in the Civil Code, the mutual association shall be considered terminated by way of succession if transformed into a limited insurance company.

(2) The transformation, including the case under Subsection (1), and dissolution of a mutual association shall be subject to the consent of at least three quarters of all members of the supreme body.

*Section 28*

(1) A mutual association may be transformed into an insurance company operating in the form of a limited company. Transformation shall be governed by the relevant provisions of the Civil Code, Act CLXXVI of 2013 on the Transformation, Merger and Division of Legal Entities (hereinafter referred to as "LPT") and the Accounting Act subject to the exceptions set out in this Section and in Sections 29-30.

(2) A limited company established upon the transformation of a mutual association may only be established privately.

(3) As regards those members of the mutual association that is in the process of being terminated who declare - at least thirty days before the first session held in preparation of the transformation - their intention not to participate in the new limited company, their membership shall cease to exist simultaneously upon the dissolution of the association, and they shall not receive a share from the equity. Termination of membership shall have no bearing on the contractual relationship of such members stemming from the insurance contract.

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1 Enacted by Section 184 of Act CX of 2020, effective as of 26 December 2020.

(4) As regards transformation the provisions of Section 3:135 of the Civil Code, and Subsections (2) and (3) of Section 2, Subsection (2) of Section 4 and Subsections (3) and (5) of Section 10 of the LPT shall not apply.

### Section 29

(1) The management body shall present a proposition to the preparatory meeting of the supreme body containing:

a) information as to the economic objectives desired to be achieved by the transformation, the means required to achieve them, and the future status of the association's members and employees;

b) the arguments of the proponents and the management body.

👉(2)<sup>1</sup> The management body shall - before the first meeting of the supreme body held in preparation of the transformation - inform the members concerning Subsection (1) by way of the means set out in the statutes, in any case by means of a notice published on the mutual association's website. The statutes may require that the information shall be sent by way of electronic means to the members who specifically requested it, in addition to being posted on the website. In the event of any deviation between the information published on the website and the information sent to the members by way of electronic means, the published information shall prevail. The management body shall satisfy the obligation to provide information so as to allow at least fifteen days for members of the mutual association for making the statement specified in Subsection (3) of Section 28.

(3) The first decision adopted on transformation during the preparatory meeting shall contain:

a) the intent to go into transformation;

b) the name and address of the mutual association going into transformation and of the successor limited company;

c) the particulars of the members wishing to join the successor limited company;

d) the date of the draft statements of assets and liabilities of the mutual association going into transformation and of the successor limited company;

e) the particulars of the auditor involved in the transformation process.

(4) The second decision on transformation shall contain:

a) the decision on the approval of the draft statements of assets and liabilities of the mutual association going into transformation and of the successor limited company;

b) the draft of the articles of association of the successor limited company;

c) the date of transformation;

d) the names and addresses of the successor limited company's executive officers and supervisory board members;

e) the amount of equity share due to shareholders of the limited company based on their capital contribution, according to the draft statements of assets and liabilities of the mutual association going into termination, and the corresponding value of their shares;

f) the amount and face value of shares, and the description of the categories or classes of shares.

(5) Upon registration of the successor organization the predecessor mutual association shall be cancelled from the register, with the name of the successor indicated.

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1 Established by Subsection (2) of Section 64 of Act CIX of 2023, effective as of 1 January 2024.



(6) Before the last day of the third month following the date of registration of the legal person established by way of transformation, a final statement of assets and liabilities shall be prepared as on the date of registration, both for the predecessor and the successor. A positive difference between the equity capital shown in this statement of assets and liabilities and in the draft statement of assets and liabilities drawn up for the transformation shall be accounted as assets over the subscribed capital, whereas in the case of a negative difference, unless the assets over the subscribed capital provide cover for such and the members failed to provide cover as specified in the Civil Code and the LPT, the subscribed capital shall be reduced.

### *Section 30*

(1) In the course of transformation, the amount of equity share due to members according to their capital contribution shall be determined based on the data contained in the successor's final statement of assets and liabilities. In determining the said amount the technical provisions relating to the insurance portfolio and their cover shall not be taken into account.

(2) The share to be allocated to members of the association from the successor limited company's capital shall be determined by the supreme body.

(3) The share referred to in Subsection (2) of the members may be determined as per the following:

a) each member is given an equal share from the assets of the mutual association; or

b) each member is given an equal share from the assets of the mutual association, except for those members who made contributions to the association's equity capital directly, in addition to the membership fee. The share due to the latter members shall be determined in the manner fixed in the statutes, in proportion to the capital contribution they provided.

(4) As regards the mutual associations referred to in Subsection (2) of Section 445, if the share of premiums paid by the members for life insurance policies with residual rights attached can be shown in the return on investment of the technical provisions of life insurance policies, and hence in the capital structure as well, such contributions shall be taken into account together with the yield earned during that time and with any settlement payments.

(5) Where the share of members is determined according to Paragraph b) of Subsection (3) and Subsection (4), the supreme body of the association may not choose to use any method that may result in considerable harm to the legitimate interests of members who remained in minority.

## *8. Hungarian branches of third-country insurance and reinsurance companies*

### *Section 31*

(1) The branches of third-country insurance companies pursuing insurance activities in Hungary shall be allowed to provide the full spectrum of services within the branch and class of insurance for which they are authorized.

(2) The branches of third-country reinsurance companies pursuing reinsurance activities in Hungary shall be allowed to perform the full spectrum of life reinsurance or non-life reinsurance activities, or both types of reinsurance activities in possession of the Authority's authorization for the pursuit of such activity.

(3)<sup>1</sup> Branches of third-country insurance companies and the branches of third-country reinsurance companies may apply for authorization to engage in the branch of insurance or for the pursuit of reinsurance activities for which the parent third-country insurance company or the parent reinsurance company is licensed in the country where established, having regard to the provisions of Subsection (1) of Section 43.

### Section 32

(1) The branches of third-country insurance companies and the branches of third-country reinsurance companies shall have - within thirty days of the date of approval - the annual account and the annual report of the founding third-country insurance or reinsurance company published in the country where established in the language of that country and also the official Hungarian translation.

(2) At the client's request the branches of third-country insurance companies shall provide access to the annual account and the annual report of the founding third-country insurance company published in the country where established for review.

(3) The provisions of Subsection (1) shall not apply to the branches of third-country reinsurance companies.

(4) The branches of third-country insurance companies and the branches of third-country reinsurance companies shall keep the assets covering their solvency capital requirement on the territory of Hungary up to the amount of minimum capital requirement, and shall keep any additional assets covering their solvency capital requirement within the territory of the European Union.

(5) The provisions set out in Subsection (4) shall not apply if either of the concessions provided for in Section 255 has been granted.

(6) The insurance companies covered by Part Six:

a) shall deposit assets of an amount equal to at least one-fourth of the minimum guarantee fund as security,

b) shall keep assets covering the minimum guarantee fund on the territory of Hungary,

c) may keep the assets covering the remainder of the minimum solvency margin in any Member State.

### Section 33

(1) The branches of third-country insurance companies shall make out the documents evidencing the conclusion and existence of insurance contracts - including the standard contract terms and conditions - in Hungarian.

(2) The provisions of Subsection (1) shall not apply to the branches of third-country reinsurance companies.

### Section 34<sup>2</sup>

(1) Where the Commission deems the solvency regime of a third country to be equivalent to that laid down in the Solvency II Directive, reinsurance contracts concluded with reinsurance companies having their head office in that third country shall be treated in the same manner as reinsurance contracts concluded with reinsurance companies established in the European Union.

(2) Reinsurance contracts concluded with third-country reinsurance companies having their head office in a third country, the solvency regime of which has been deemed to be temporarily equivalent by the Commission, shall be accorded the same treatment as that set out in Subsection (1).

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1 Amended by Point 2 of Subsection (1) of Section 175 of Act LIII of 2016.

2 Enters into force as under Section 23 of Act CLXII of 2015.

*9. Hungarian branches of insurance companies and reinsurance companies established in other Member States*

*Section 35*

(1) The branches of insurance companies established in other Member States pursuing insurance activities in Hungary shall be allowed to provide the full spectrum of insurance services within the branch and class of insurance for which they are authorized by the supervisory authority of the home Member State.

(2) The branches of reinsurance companies established in other Member States pursuing reinsurance activities in Hungary shall be allowed to provide the full spectrum of reinsurance services for which they are authorized by the supervisory authority of the home Member State.

*Section 36*

(1) The Hungarian branches of insurance companies established in other Member States shall make out the documents evidencing the conclusion and existence of insurance contracts - including the standard contract terms and conditions - in Hungarian.

(2)<sup>1</sup> The document referred to in Subsection (1) may be made out:

- a) at the client's request, in the official language of the home Member State, or
- b) in another language agreed upon by the client and the insurance company.

(3) The provisions of Subsection (1) shall not apply to the Hungarian branches of reinsurance companies established in other Member States.

*Section 37*

The Hungarian branch of an insurance or reinsurance company established in another Member State shall be required to notify the Authority in writing, within thirty days in advance, of any changes in its particulars while engaged in operations in Hungary.

*10. Activities of insurance companies and reinsurance companies established in other Member States performed in Hungary in the form of cross-border services*

*Section 38*

(1) Insurance and reinsurance companies established in other Member States may pursue insurance or reinsurance activities in Hungary in the form of cross-border services.

(2) Insurance companies established in other Member States shall be allowed to provide the full spectrum of insurance services within the branch and class of insurance for which they are authorized by the supervisory authority of the home Member State.

(3) Reinsurance companies established in other Member States shall be allowed to provide the full spectrum of reinsurance services for which they are authorized by the supervisory authority of the home Member State.

*Section 39*

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<sup>1</sup> Established by Section 143 of Act CXLV of 2017, effective as of 21 November 2017.

(1) Where insurance activities are performed in Hungary in the form of cross-border services the documents evidencing the conclusion and existence of insurance contracts - including the standard contract terms and conditions - shall be made out in Hungarian.

(2)<sup>1</sup> The document referred to in Subsection (1) may be made out:

- a) at the client's request, in the official language of the home Member State, or
- b) in another language agreed upon by the client and the insurance company.

(3) The provisions of Subsection (1) shall not apply to reinsurance activities performed in the form of cross-border services.

## CHAPTER II

### BASIC REQUIREMENTS FOR THE PURSUIT OF THE BUSINESS OF INSURANCE AND REINSURANCE

#### *11. Principles to be applied relating to the exclusivity of insurance and reinsurance activities*

##### *Section 40*

(1) Apart from insurance and reinsurance activities, and the activities involved in or closely related to insurance, insurance companies are not allowed to pursue any other business activities, moreover, the business of insurance may be pursued by insurance companies only.

(2) Apart from reinsurance activities, and the activities involved in or closely related to reinsurance, reinsurance companies are not allowed to pursue any other business activities, moreover, the business of reinsurance may be pursued by insurance and reinsurance companies only.

(3) The following shall, in particular, be treated as activities involved in or closely related to insurance:

a) management and investment of the insurance company's own assets, including transactions in financial derivatives for hedging purposes as regards technical provisions, for the purpose of efficient portfolio management or for the purpose of arbitrage;

b) intermediation of financial services as provided for in the CIFE;

c) accepting and mediating orders relating to financial instruments provided for in Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (hereinafter referred to as "IRA");

d) securities lending and securities borrowing;

e) services provided by an insurance company to its subsidiary or parent, or a company in which it has any participating interest relating to insurance operations and the pursuit of the business of insurance;

f)<sup>2</sup>

g) recruitment services provided under the Act on Voluntary Mutual Insurance Funds.

(4) The following shall, in particular, be treated as activities involved in or closely related to reinsurance:

a) the functions and activities of holding companies as governed in the Act on the Supplementary Supervision of Financial Conglomerates, with the exception that the regulations relating to insurance companies shall apply to reinsurance companies;

<sup>1</sup> Established by Section 144 of Act CXLV of 2017, effective as of 21 November 2017.

<sup>2</sup> Repealed by Point 2 of Subsection (1) of Section 145 of Act LXVII of 2016, effective as of 1 January 2017.

b) the provision of statistical or actuarial advice, risk analysis or research connected to insurance or reinsurance.

(5) The Authority's permission is not required for carrying out the activities referred to in Subsections (3) and (4), however, the Authority may authorize the pursuit of activities involved in or closely related to insurance or reinsurance in addition to those activities.

## *12. Principles to be applied relating to the authorization of insurance and reinsurance activities*

### *Section 41*

(1) Insurance and reinsurance activities, and activities involved in or closely related to insurance or reinsurance may be performed on the territory of Hungary subject to authorization by Authority, or under authorization by the supervisory authority of the home Member State if such activities are carried out in the form of cross-border services or through a branch.

(2) With the exception set out in Subsection (3), third-country insurance companies may take up and pursue activities on the territory of Hungary through a branch authorized by the Authority.

(3) Under international agreement, third-country insurance companies may, without having to set up a branch:

a) pursue the business of reinsurance;

b) provide insurance coverage protecting against loss or damage of goods, means of transport and motor vehicles in international trade, as well as liability insurance in connection therewith.

(4) Third-country reinsurance companies may take up and pursue the business of reinsurance on the territory of Hungary:

a) through a Hungarian branch; or

b) under international agreement, without having to set up a branch.

(5)<sup>1</sup> Upon withdrawal of the activity license insurance and reinsurance companies may carry out limited insurance or reinsurance activities in accordance with Subsection (3) of Section 304.

(6)<sup>2</sup> The Authority shall define the scope of insurance or reinsurance activities provided for in Subsection (5) in its resolution of withdrawal of the activity license.

## *13. Scope of authorization*

### *Section 42*

(1) In terms of territorial scope, the activity license issued by the Authority shall cover all Member States, and shall constitute an entitlement for the insurance company or reinsurance company to pursue activities on the territory of any Member State in the form of cross-border services or through a branch.

(2) As regards the Hungarian branches of third-country insurance or reinsurance companies the territorial scope of the activity license issued by the Authority shall cover the territory of Hungary, and the activities may be pursued on the territory of Hungary only.

### *Section 43*

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<sup>1</sup> Enacted by Section 162 of Act CXXVI of 2018, effective as of 29 December 2018.

<sup>2</sup> Enacted by Section 162 of Act CXXVI of 2018, effective as of 29 December 2018.

(1) With the exceptions set out in Subsections (2) and (3), insurance companies, and the Hungarian branches of third-country insurance companies shall not be authorized to transact both non-life and life insurance business concurrently.

(2) The Authority may authorize an insurance company licensed to pursue the business of life insurance to pursue the classes set out under Points 1 and 2 of Part A) of Annex 1, with the proviso that the insurance company shall not be authorized to pursue other classes in the non-life insurance branch.

(3) The Authority may authorize an insurance company licensed to pursue activities exclusively in the classes set out under Points 1 and 2 of Part A) of Annex 1 to pursue life insurance activities.

(4) In the cases referred to in Subsections (2)-(3), the regulations pertaining to accountancy and liquidation in the life insurance branch shall apply to all activities of the insurance company.

(5)<sup>1</sup> Where a non-life insurance company has financial, commercial or administrative links with an insurance company licensed to pursue the business of life insurance, the accounts of the insurance companies concerned shall not be allowed to be distorted by agreements between those insurance companies or by any arrangement which could affect the apportionment of expenses and income.

#### *Section 44*

(1) The Authority shall issue an activity license separately for each branch of insurance, and each class of insurance for which the insurance company in question is eligible.

(2) The activity license applies to an entire class, except if the insurance company has indicated in its scheme of operations that it only covers certain specific risks (risk groups) within a class.

(3) The activity license may also be granted according to the classification of risks under Part B) of Annex 1.

(4) The Authority shall issue an activity license to a reinsurance company for non-life reinsurance activities, life reinsurance activities or the full spectrum of reinsurance activities.

#### *Section 45*

(1) The insurance company may expand its operations beyond the class of insurance, risk or risk group already authorized subject to the authorization by the Authority by adding another class of insurance, risk or risk group to its portfolio, provided that it is able to demonstrate after the expansion that it:

- a) possesses to eligible own funds covering the solvency capital requirement;
- b) possesses the eligible basic own funds covering the minimum capital requirement;
- c) has in place appropriate systems of governance, and meets the prescribed personnel and infrastructure requirements.

(2) An insurance company pursuing life insurance activities may extend its business to the risks listed in classes 1 and 2 in Part A) of Annex I as referred to in Subsection (2) of Section 43, provided that it is able to demonstrate that it:

- a) possesses the eligible basic own funds to cover the absolute floor of the minimum capital requirement for life insurance and non-life insurance companies;
- b) possesses the eligible basic own funds to cover the minimum capital requirement for life insurance and non-life insurance companies;
- c) has in place appropriate systems of governance, and meets the prescribed infrastructure requirements.

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1 Enters into force as under Section 24 of Act CLXII of 2015.

(3) An insurance company authorized to pursue exclusively the classes set out under Points 1 and 2 of Part A) of Annex 1 may extend its business to life insurance activities as referred to in Subsection (2) of Section 43, provided that it is able to demonstrate that it:

- a) possesses the eligible basic own funds to cover the absolute floor of the minimum capital requirement for life insurance and non-life insurance companies;
- b) possesses the eligible basic own funds to cover the minimum capital requirement for life insurance and non-life insurance companies;
- c) has in place appropriate systems of governance, and meets the prescribed infrastructure requirements.

(4) In the case of small insurance companies covered by Part Six insurance activities may be extended on condition that the insurance company possesses the necessary solvency margin after the expansion.

#### *Section 46*

(1) An insurance or reinsurance company shall be able to terminate its insurance operations in part or in whole, on its own volition, subject to authorization by the Authority, if the company has satisfied all its commitments and liabilities stemming from insurance or reinsurance activities with respect to the class or branch, or the reinsurance activity to which the request pertains.

(2) If insurance operations are terminated in part, the insurance or reinsurance company shall meet the requirements set out in Section 45 in respect of the remaining activities.

(3)<sup>1</sup> If the Authority has authorized the closure of insurance operations, the insurance or reinsurance company shall no longer be entitled after the decision has become definitive to engage in the pursuit of insurance activities and operations arising directly therefrom - with respect to the class or branch of insurance, or life reinsurance or non-life reinsurance activity affected - which is subject to authorization under this Act.

(4) If the insurance or reinsurance company has terminated all its insurance or reinsurance operations, it shall delete from its name any reference to the insurance or reinsurance business.

#### *Section 47*

(1) An insurance company authorized for a principal risk belonging to one class or a group of classes may - with the exception set out in Subsection (2) - also insure risks included in another class (hereinafter referred to as "ancillary risk") without the need to obtain authorization in respect of such risks provided that those risks:

- a) are connected with the principal risk,
- b) concern the object which is covered against the principal risk;
- c) are covered by the contract insuring the principal risk.

(2) With the exceptions set out in Subsection (3), the risks included in the classes provided for in Points 14, 15 and 17 in Part A) of Annex 1 shall not be regarded as risks ancillary to other classes.

(3) The risk included in the class provided for in Point 17 in Part A) of Annex 1 may be regarded as a risk ancillary to class 18, where the conditions laid down in Subsection (1) are fulfilled and:

- a) the principal risk relates solely to the assistance provided for persons who fall into difficulties while travelling, while away from their home or their habitual residence; or
- b) the insurance concerns disputes or risks arising out of, or in connection with, the use of sea-going vessels.

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1 Amended by Point 2 of Section 484 of Act L of 2017.

*14. Place of the head office of insurance companies and reinsurance companies**Section 48*

As regards insurance and reinsurance companies established in Hungary, and also in the case of the Hungarian branches of third-country insurance and reinsurance companies, the head office must be in Hungary.

*14/A.<sup>1</sup> Registers of insurance and reinsurance companies on their contributors and their managers responsible for distribution operations**Section 48/A<sup>2</sup>*

(1) Insurance and reinsurance companies shall keep internal registers on their contributors and managers responsible for distributions for the purpose of facilitating the registration and supervision of managers responsible for insurance or reinsurance distribution operations and contributors of insurance or reinsurance distribution activities.

(2) The internal registers referred to in Subsection (1) shall comprise the internal records of managers responsible for insurance or reinsurance distribution operations and the internal records of contributors of insurance or reinsurance distribution activities.

(3) The internal records on managers responsible for insurance or reinsurance distribution operations shall contain the following particulars of managers responsible for insurance or reinsurance distribution operations, with any changes in such particulars updated and documented:

*a)* name;

*b)* proof of compliance with the requirements set out in Subsection (1) of Section 75/A and in Section 134/A.

(4) The internal records on contributors of insurance or reinsurance companies shall contain the following particulars of contributors, with any changes in such particulars updated and documented:

*a)* name;

*b)* proof of compliance with the requirements set out in Subsection (1) of Section 75/A and in Section 134/A.

(5) With respect to the personal data included in the registers specified in Subsection (1), the insurance or reinsurance company keeping the internal register in question shall function as the data processor, and shall be allowed to process such data for a period of five years following the termination of relationship with the data subject.

**PART TWO****SPECIAL PROVISIONS RELATING TO THE OPERATION OF INSURANCE  
COMPANIES AND REINSURANCE COMPANIES****CHAPTER III**

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1 Enacted by Section 145 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Section 145 of Act CXLV of 2017, effective as of 23 February 2018.



## **RULES APPLICABLE TO MEMBERS OF THE MANAGEMENT BODY AND THE EMPLOYEES**

### *15. Senior executives*

#### *Section 49*

(1) Senior executives of insurance and reinsurance companies are:

a) members of the management body and the supervisory board in the case of limited insurance and reinsurance companies, cooperative insurance and reinsurance companies and mutual associations;

b)<sup>1</sup> representatives registered in the register of companies of insurance and reinsurance companies incorporated as branches of third-country insurance or reinsurance companies.

(2) In the case of mutual associations averaging less than hundred members over a period of one calendar year, the following shall function as senior executives regardless of the title denoted in the statutes:

a) the chair of the body elected to carry out the functions of the administrative and representative organ, or any person elected for such purpose;

b) the chair of the body elected to supervise the administrative and representative organ, or any person elected for such purpose.

(3) In addition to what is contained in Subsections (1) and (2), the chief executive officer and all deputies of the chief executive shall also be regarded as senior executives.

### *16. The chief executive officer and power of representation*

#### *Section 50*

The chief executive officer of an insurance or reinsurance company is placed in charge of the company's work organization, vested with power of representation, and is employed by the insurance or reinsurance company under contract of employment.

#### *Section 51*

(1) Authorization to represent a limited insurance or reinsurance company, cooperative insurance or reinsurance company or a mutual association, including signatory rights and disposal of current accounts, shall be conferred jointly upon two persons from among the members of the management body and the chief executive officer or his deputies.

(2) In the case of insurance or reinsurance companies incorporated as branches, the representative shall have sole representation rights.

(3) The joint power of representation referred to in Subsection (1) may be transferred under Subsection (1) as a joint signatory authority in accordance with the procedure laid down in the internal policy approved by the insurance or reinsurance company's management body.

(4) The internal rules and regulations defining the signatory authority of persons undertaking commitments on behalf of the insurance company must be presented when requested by any of the insurance company's clients.

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1 Amended by Point 3 of Subsection (1) of Section 175 of Act LIII of 2016.

*Section 52*

(1) Upon being notified by the auditor as provided for in Subsection (1) of Section 71, the chief executive officer shall convey the information thus received to the Authority in writing.

(2)<sup>1</sup> Upon being notified by the chief accounting officer as provided for in Subsection (2) of Section 62, the chief executive officer shall forthwith convey the information thus received to the Authority if the value of the insurance or reinsurance company's assets of record falls below - at the time when determined - the amount prescribed for the technical provisions of accountancy.

*17. Requirements relating to the senior executive**Section 53*

(1) Prior to the election or appointment of a senior executive of an insurance or reinsurance company, the insurance or reinsurance company shall notify the Authority of the candidate thirty days before the proposed date of election or appointment, and the person may be appointed in possession of the Authority's consent.

(2)<sup>2</sup>

(3)<sup>3</sup> If the senior executive is not elected or appointed within three months from the time of the authorization, the authorization procedure for the election or appointment of the senior executive shall be reiterated.

(4) If the senior executive elected or appointed:

a) has been indicted for any of the criminal acts under Titles VII and VIII of Chapter XV and Chapters XVII and XVIII of Act IV/1978 in force until 30 June 2013,

b)<sup>4</sup> has been indicted for any of the criminal acts under Chapters XXVII or XXXV-XLIII of the Criminal Code, or who has been indicted abroad for a crime that was punishable under Chapter XVII or XVIII of Act IV/1978 in force until 30 June 2013, or that is punishable under Chapters XXXV-XLIII of the Criminal Code, such senior executive shall be suspended from office until the conclusion of the criminal proceedings by the court's final peremptory decision or definitive non-peremptory ruling, and shall not be allowed to perform the functions of his office.

(5)<sup>5</sup> Any person who has been indicted for any of the criminal acts provided for in Subsection (4) may not be appointed or elected as a senior executive until the conclusion of the criminal proceedings by the court's final peremptory decision or definitive non-peremptory ruling.

(6) If the senior executive violates any provisions of the regulations on senior executives, the Authority may move for the discharge of such senior executive taking into consideration the gravity of the breach of obligation. Upon such request, the insurance or reinsurance company affected shall take action for discharging the senior executive in question.

*Section 54*

(1) The senior executive of an insurance or reinsurance company shall:

a) have no prior criminal record;

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1 Amended by Point 4 of Subsection (1) of Section 175 of Act LIII of 2016.

2 Repealed by Paragraph a) of Subsection (2) of Section 10 of Act CXCI of 2017, effective as of 1 January 2018.

3 Amended by Paragraph b) of Subsection (2) of Section 10 of Act CXCI of 2017.

4 Amended by Paragraph a) of Section 483 of Act CXCVII of 2017.

5 Amended by Paragraph a) of Section 483 of Act CXCVII of 2017.

b) comply with fit and proper requirements;  
c) have management experience;  
d) have a university-level degree;  
e) not be in the employ of an insurance or reinsurance company in the capacity of auditor.

(2) In the application of Paragraph c) of Subsection (1), the following shall be recognized as management experience:

a) management experience in the business of insurance;  
b) experience in business management at a company with a staff of at least twenty;  
and

c) experience in financial or economic management in the public sector;  
if the length of such experience in management is more than five years and the end of the prescribed period of experience in management is within ten years of the date of submission of the application for authorization.

(3) As regards the supervisory board members of insurance and reinsurance companies, Paragraphs c) and d) of Subsection (1) apply to the chair of the supervisory board only.

(4) Any person elected as a senior executive to effectively direct the business of an insurance or reinsurance holding company or a mixed financial holding company must satisfy the conditions set out in Subsections (1)-(3).

### *18. Non-management officers*

#### *Section 55*

(1) In order to carry out insurance activities, insurance or reinsurance companies shall employ:

a) a senior actuary;  
b)<sup>1</sup> a senior jurist;  
c) a chief accounting officer;  
d) a director of internal control (internal controller);  
e) a senior risk management officer; and  
f) an officer in charge of compliance with statutory provisions and internal regulations (hereinafter referred to as "compliance officer");  
(hereinafter referred to collectively as "non-management officer").

(2) Insurance companies incorporated as branches, excluding the Hungarian branches of third-country insurance companies, are not required to employ non-management officers.

(3) Hungarian branches of third-country insurance companies are not required to employ an internal controller provided for in Paragraph d) of Subsection (1).

#### *Section 56*

(1)<sup>2</sup> Prior to the election or appointment of a non-management officer of an insurance or reinsurance company, the insurance or reinsurance company shall notify the Authority of the candidate thirty days before the proposed date of employment, and the person may be employed in possession of the Authority's consent. The provisions of Subsections (3)-(6) of Section 53 shall also apply to the authorization and employment of non-management officers.

(2) Non-management officers shall be entitled to fill such positions at maximum two insurance companies.

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<sup>1</sup> Amended by Paragraph a) of Subsection (2) of Section 89 of Act CXXXVI of 2017.

<sup>2</sup> Amended by Paragraph a) of Subsection (1) of Section 10 of Act CXCI of 2017.

(3) When terminating the employment of a non-management officer referred to in Paragraphs *a)*-*c)* of Subsection (1) of Section 55, the supervisory board shall be notified in advance.

(4) The non-management officers referred to in Paragraphs *a)*-*f)* of Subsection (1) of Section 55 shall be invited to the insurance or reinsurance company's general meeting in an advisory capacity in matters that affect their respective areas of responsibility.

(5) The prior consent of the supervisory board is required for terminating the employment of an internal controller referred to in Paragraph *d)* of Subsection (1) of Section 55.

### *19. Senior actuary*

#### *Section 57*

(1) Senior actuaries of insurance and reinsurance companies shall:

*a)* meet either of the professional requirements below:

*aa)* have a degree in actuarial studies, or

*ab)* have a university-level or master's degree in the field of natural sciences, information technology, economics or engineering, and at least five years of professional experience as a senior actuary or ten years of professional experience as an actuary;

*b)* have at least five years of professional experience working as an actuary at an insurance or reinsurance company, a financial supervisory authority, the trade organization of insurance companies, actuaries or insurance intermediaries, an economic operator engaged in insurance mediation or at the auditor of an insurance company;

*c)* have no prior criminal record;

*d)* comply with fit and proper requirements; and

*e)* have a formal employment attachment with the insurance or reinsurance company.

(2) The following degrees shall in particular be recognized under this Act as actuarial studies:

*a)* university-level degree in the faculty of economics or finances, field of actuarial science;

*b)* university-level degree in the faculty of mathematics or applied mathematics, field of actuarial science and financial mathematics;

*c)* master's training in insurance and financial mathematics, field of actuarial science, or

*d)* post-graduate actuarial training.

(3) The end of the period of professional experience specified in Subparagraph *ab)* of Paragraph *a)* and in Paragraph *b)* of Subsection (1) shall be within ten years of the date of the beginning of employment of the senior actuary.

#### *Section 58*

(1) The signature of the insurance or reinsurance company's senior actuary shall be required to verify:

*a)* the accuracy of the reserves contained in the supervisory report in terms of creation and size;

*b)* the correctness of premium calculations.

(2) In connection with what is contained in Subsection (1), the senior actuary of the insurance or reinsurance company shall also verify that the data available are sufficient, complete and consistent and that the methods applied conform to the nature of the risks.

(3) The signature of the insurance or reinsurance company's senior actuary shall be required to verify - in addition to what is contained in Subsections (1) and (2) - the calculations, assessments and reports made by the person performing the actuarial function.

(4) The senior actuary shall perform actuarial functions, or shall supervise the performance of such functions.

## *20. Senior jurist<sup>1</sup>*

### *Section 59*

(1)<sup>2</sup> Senior jurists of insurance and reinsurance companies shall:

- a) have a university-level degree in political science and law;
- b) have passed the bar examination and the insurance law examination;
- c) have at least five years professional experience in the field of insurance at an insurance or reinsurance company, a financial supervisory authority, in the government sector in the field of finance or business management, at the trade organization of insurance companies or insurance intermediaries, or at an economic operator engaged in insurance mediation;
- d) have no prior criminal record;
- e) comply with fit and proper requirements; and
- f) have a formal employment attachment with the insurance or reinsurance company.

(2)<sup>3</sup> The end of the period of professional experience specified in Paragraph c) of Subsection (1) shall be within ten years of the date of the beginning of employment of the senior jurist.

### *Section 60<sup>4</sup>*

The senior jurist shall check and verify (with his signature) that the documents submitted to the Authority for authorization and the reports are in compliance with regulations.

## *21. Chief accounting officer*

### *Section 61*

(1) Chief accounting officers of insurance and reinsurance companies shall:

- a) have a university-level degree in the relevant field,
- b) have a degree as a certified chartered accountant;
- c)<sup>5</sup> have at least five years professional experience in the field of insurance at an insurance or reinsurance company, a financial supervisory authority, in the government sector in the field of finance or business management, at the trade organization of insurance companies or insurance intermediaries, or at an economic operator engaged in insurance mediation or at an audit firm of insurance companies;
- d) have no prior criminal record;
- e) comply with fit and proper requirements; and
- f) have a formal employment attachment with the insurance or reinsurance company.

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1 Amended by Paragraph b) of Subsection (2) of Section 89 of Act CXXXVI of 2017.

2 Amended by Paragraph c) of Subsection (2) of Section 89 of Act CXXXVI of 2017.

3 Amended by Paragraph d) of Subsection (2) of Section 89 of Act CXXXVI of 2017.

4 Established by Subsection (1) of Section 89 of Act CXXXVI of 2017, effective as of 1 January 2018.

5 Enters into force as amended under Point 1 of Section 67 of Act CLXII of 2015.

(2) The end of the period of professional experience specified in Paragraph c) of Subsection (1) shall be within ten years of the date of the beginning of employment of the chief accounting officer.

### *Section 62*

(1) The signature of the chief accounting officer shall be required, in addition to the chief executive officer's signature, to verify that the annual account submitted to the Authority and the asset register provided for in Section 109 are true and correct.

(2)<sup>1</sup> The chief accounting officer shall forthwith notify the chief executive officer and the supervisory board if the value of assets shown in the asset register are below - at the time when determined - the amount prescribed for the technical provisions of accountancy.

## *22. Director of internal control (internal controller)*

### *Section 63*

(1) Limited insurance and reinsurance companies, cooperative insurance and reinsurance companies and mutual associations are required to employ an internal controller.

(2) Internal controllers of insurance and reinsurance companies shall:

a) have a university-level degree in the relevant field, such as - in particular - economics, finances or law;

b) have at least five years professional experience:

ba) in the field of insurance at an insurance or reinsurance company, a financial supervisory authority, in the government sector in the field of finance or business management, at the trade organization of insurance companies or insurance intermediaries, or at an economic operator engaged in insurance mediation or at the audit firm of an insurance company, or

bb) at a regulated entity or at their audit firm in the field of internal audit or compliance;

c) have no prior criminal record;

d) comply with fit and proper requirements; and

e) have a formal employment attachment with the insurance or reinsurance company.

(3) The chief executive officer shall directly exercise employer's rights over the internal controller, and the internal controller's activities shall be supervised by the supervisory board.

(4) The end of the period of professional experience specified in Paragraph b) of Subsection (2) shall be within ten years of the date of the beginning of employment of the internal controller.

(5) Where two - insurance or reinsurance - companies employ the same person as internal controller, they shall agree in writing that they will raise no objection against the mutual employment of the internal controller. This agreement shall be sent to the Authority within thirty days from the conclusion of the agreement.

### *Section 64*

The internal controller shall perform internal control functions, or shall supervise the performance of such functions.

## *23. Senior risk management officer*

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1 Amended by Point 5 of Subsection (1) of Section 175 of Act LIII of 2016.

*Section 65*

(1) The senior risk management officer of an insurance or reinsurance company shall:

*a)* have a university-level degree in the relevant field, such as - in particular - economics, actuarial, mathematics, engineering, law or finance;

*b)* have at least two years professional experience:

*ba)* in the field of risk management working as a risk manager at an insurance or reinsurance company, a financial supervisory authority, at the trade organization of risk management entities or insurance intermediaries, an economic operator engaged in insurance mediation or at an insurance audit firm, or

*bb)* at a regulated entity in the field of risk management;

*c)* have no prior criminal record;

*d)* comply with fit and proper requirements; and

*e)* have a formal employment attachment with the insurance or reinsurance company.

(2) The end of the period of professional experience specified in Paragraph *b)* of Subsection (1) shall be within ten years of the date of the beginning of employment of the senior risk management officer.

*Section 66*

The senior risk management officer:

*a)* shall perform risk management functions, or shall supervise the performance of such functions;

*b)* shall be responsible for the implementation of the risk-management system;

*c)* shall be required to verify the calculations, assessments and reports made within the framework of risk management functions.

*24. Compliance officer**Section 67*

(1) The compliance officer of an insurance or reinsurance company shall:

*a)* have a university-level degree in the relevant field, such as - in particular - economics, insurance, finances or law;

*b)* have at least two years professional experience:

*ba)* in the field of insurance in the legal or economics department at an insurance or reinsurance company, a financial supervisory authority, in the government sector in the field of finance or business management, at the trade organization of insurance companies and insurance intermediaries, an economic operator engaged in insurance mediation or at an insurance audit firm, or

*bb)* at a regulated entity or at their audit firm in the field of internal audit or compliance;

*c)* have no prior criminal record;

*d)* comply with fit and proper requirements; and

*e)* have a formal employment attachment with the insurance or reinsurance company.

(2) The end of the period of professional experience specified in Paragraph *b)* of Subsection (1) shall be within ten years of the date of the beginning of employment of the compliance officer.

*Section 68*

The compliance officer shall perform compliance functions, or shall supervise the performance of such functions.

## *25. Fit and proper requirements*

### *Section 69*

Fit and proper requirements shall not be considered satisfied by any person:

a)<sup>1</sup> who is or has been holding a qualifying interest in an insurance company, reinsurance company, insurance intermediary or a financial organization that was able to avoid insolvency solely as a result of intervention by the competent supervisory authority, or that was liquidated or is undergoing liquidation, and whose personal responsibility for this situation was established by final court ruling or definitive administrative decision not more than five years previously;

b)<sup>2</sup> who is or has been a senior executive of an insurance company, reinsurance company or a financial organization, or who is or has been an executive officer of a business association that was able to avoid insolvency solely as a result of intervention by the competent supervisory authority, or that was liquidated or is undergoing liquidation, or that was removed from the register of companies by way of involuntary de-registration procedure or is undergoing involuntary de-registration, and whose personal responsibility for this situation was established by final court ruling or definitive administrative decision not more than five years previously;

c) who has seriously or repeatedly infringed:

ca)<sup>3</sup> the provisions of the acts covering the functions of the Authority, and other legislation adopted by authorization of those acts and has received the maximum fine for such offense by final or definitive decision of the Authority rendered not more than five years earlier, or the Authority moved for his dismissal, or whose infringement of such regulations was established by final court decision adopted not more than five years previously,

→cb)<sup>4</sup> foreign legislative provisions of relevance to his activities, and has received the maximum fine for such offense by final or definitive decision of the supervisory authority rendered not more than five years earlier, or such authority moved for his dismissal, or whose infringement of such regulations was established by final decision of a foreign court adopted not more than five years previously;

→d)<sup>5</sup> who is subject to prohibition to exercise a profession or activity in the fields of economics or finance.

### *25/A.6 Good repute*

#### *Section 69/A<sup>7</sup>*

The following shall not be deemed of sufficiently good repute:

a) a person who does not have a clean criminal record; or

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1 Amended by Point 3 of Section 484 of Act L of 2017.

2 Enters into force as under Section 25 of Act CLXII of 2015. Amended by Point 3 of Section 484 of Act L of 2017.

3 Amended by Point 4 of Section 484 of Act L of 2017.

4 Amended by Point 5 of Section 484 of Act L of 2017.

5 Enacted by Section 67 of Act LXXVI of 2023, effective as of 1 January 2024.

6 Enacted by Section 146 of Act CXLV of 2017, effective as of 23 February 2018.

7 Enacted by Section 146 of Act CXLV of 2017, effective as of 23 February 2018.



b) a person who is or has been an executive officer of an insurance company, reinsurance company or a financial organization, or who is or has been a senior executive of a business association that was able to avoid insolvency solely as a result of intervention by the competent supervisory authority, or that was liquidated or is undergoing liquidation, or that was removed from the register of companies by way of involuntary de-registration procedure or is undergoing involuntary de-registration, and whose personal responsibility for this situation was established by court ruling or regulatory decision not more than five years previously.

## 26. Auditor

### Section 70

(1)<sup>1</sup> All insurance and reinsurance companies must employ an auditor, by a decision of the supreme body.

(2)<sup>2</sup> The registered statutory auditors appointed by insurance and reinsurance companies for carrying out statutory audits shall:

a) have expertise in the field of insurance or reinsurance and are trained and experienced actuaries in compliance with the conditions set out in Paragraphs a) and b) of Subsection (1) of Section 57; in the absence of the latter, an actuary who does satisfy those requirements must be appointed;

b) not be engaged in an employment or other work-related relationship with a person holding a qualifying interest in the insurance or reinsurance company, and shall not be engaged in an employment or other work-related relationship with an audit firm that is owned by a person who holds a qualifying interest in the insurance or reinsurance company;

c) have no direct or indirect ownership share in the insurance or reinsurance company;

d) is certified to audit insurance companies.

(3)-(4)<sup>3</sup>

(5) The auditor of an insurance or reinsurance company, if a natural person, shall be permitted to audit the books of not more than six insurance or reinsurance companies at any given time, and his income (revenue) from the insurance or reinsurance company may not account for more than thirty per cent of his annual income (revenue). The total income (revenue) of the auditor from credit institutions, financial enterprises, investment firms, investment fund managers, from an investment fund managed by an investment fund manager controlled by the same group or holding company, or from insurance or reinsurance companies cannot exceed sixty per cent of his annual income (revenue).

(6) Any auditor in the employ of the auditing firm of an insurance or reinsurance company shall be permitted to audit the books of not more than six insurance and reinsurance companies at any given time and the income (revenue) of the auditing firm from the insurance or reinsurance company may not account for more than thirty per cent of its annual net revenue. The income (revenue) of an auditing firm from credit institutions, financial enterprises, investment firms, investment fund managers, from an investment fund managed by an investment fund manager controlled by the same group or holding company, or from insurance or reinsurance companies may not account for more than fifty per cent of its annual net revenue.

(7)<sup>4</sup> Following the expiry of the auditor's term, insurance and reinsurance companies shall appoint a new auditor within two months, by a decision of the supreme body.

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1 Established by Section 68 of Act XLIV of 2016, effective as of 4 June 2016.

2 Amended by Section 74 of Act XLIV of 2016.

3 Repealed by Section 75 of Act XLIV of 2016, effective as of 4 June 2016.

4 Established by Section 69 of Act XLIV of 2016, effective as of 4 June 2016.

*Section 71*

(1)<sup>1</sup> The auditor shall without delay inform the insurance or reinsurance company's chief executive officer if he detects any infringement of the provisions of this Act or other regulations pertaining to insurance operations, such as, in particular, if the size of technical provisions or the cover of technical provisions of accountancy - at the time of audit - is insufficient.

(2) The auditor shall have a duty to report promptly to the Authority, while notifying the insurance or reinsurance company at the same time in writing, of any fact of which he has become aware while carrying out the audit which is liable to:

a) lead to a qualified or adverse audit opinion, or a disclaimer of opinion by the statutory auditor;

b) constitute a material breach of the laws, or the insurance or reinsurance company's management policy, or to forewarn any imminent infringement of such regulations;

c) constitute a material breach of statutory provisions governing the authorization of insurance activities or the operations of insurance companies;

d) result in any uncertainty as to the ability of the insurance or reinsurance company to meet its liabilities and commitments, or safeguard the assets entrusted to it;

e) constitute serious deficiencies or shortcomings in the internal control systems;

f) result in a considerable difference of opinion between the auditor and the chief executive officer regarding issues affecting the solvency, income, data disclosure or accounting of the insurance or reinsurance company, which are considered essential from the point of view of operations.

(3) In addition to what is contained in Subsections (1)-(2),

a) the auditor shall provide information at the request of the Authority of the facts of which he has become aware while carrying out that task,

b) the Authority shall hold a consultation at the auditor's request.

(4) When auditing the annual account of an insurance or reinsurance company the auditor shall also examine the following:

a)<sup>2</sup> the accuracy of annual supervisory reporting provided for in Paragraph a) of Subsection (2) of Section 269;

b) compliance with the regulations relating to prudential requirements for effective, reliable and independent operations as well as supervisory decisions;

c) conformity of the continuous filing, data processing and data disclosure regime prescribed under Paragraph b) of Subsection (1) of Section 94;

d) the adequate operation of control systems.

(5)<sup>3</sup> Upon conclusion of the audit, the auditor must record his findings on the issues specified in Subsections (4) and (6) in a separate supplementary report and send it to the management body, the chief executive officer, the chair of the supervisory board, and the Authority by 31 May of the following year, together with the supervisory report.

(6)<sup>4</sup> In the supplementary report referred to in Subsection (5), the auditor shall indicate as to whether the technical provisions and the technical provisions of accountancy indicated, respectively, in the annual supervisory report provided for in Paragraph a) of Subsection (2) of Section 269 and in the annual account are sufficient and whether the value of the assets covering such provisions are in compliance with this Act.

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1 Amended by Point 6 of Subsection (1) of Section 175 of Act LIII of 2016.

2 Enters into force as under Subsection (1) of Section 26 of Act CLXII of 2015.

3 Enters into force as amended under Point 2 of Section 67 of Act CLXII of 2015.

4 Enters into force as under Subsection (2) of Section 26 of Act CLXII of 2015.

(7) In the supplementary report referred to in Subsection (5), the auditor shall evaluate in writing the technical provisions of accountancy of the insurance company broken down by type of provision and branch of insurance, and shall give such detailed review to the insurance company.

### *27. Rules applicable to the activities of managers, employees and agents*

#### *Section 72*

(1) The senior executives of insurance and reinsurance companies, other non-management officers, their agents and employees shall keep all insurance secrets confidential during and after their employment or term in office.

(2) The data and information obtained by senior executives of insurance and reinsurance companies, other members of the management body, their agents and employees in their official capacity pertaining to the operation of the insurance or reinsurance company and to the insurance or reinsurance company's clients can only be used when acting in such official capacity and in connection with and for the purpose of the insurance contracts to which they pertain.

(3) The data and information pertaining to the operation of the insurance or reinsurance company and to the insurance or reinsurance company's clients, obtained by senior executives of insurance and reinsurance companies, other members of the management body, their agents and employees in their official capacity shall not be used to obtain any direct or indirect advantage for themselves or for any other person and/or to the detriment of the insurance or reinsurance company or the client.

#### *Section 73*

The senior executives and employees of an insurance or reinsurance company shall at all times act with due diligence and workmanship consistent with the professional requirements applicable for their respective positions, also in view of the interests of the insurance or reinsurance company and its clients, in compliance with the relevant regulations.

#### *Section 74*

(1) The senior executives of insurance and reinsurance companies, their non-management officers and their employees and agents involved in activities related to the insurance and reinsurance business shall notify the insurance or reinsurance company:

*a)* if they or one of their close relatives have a qualifying interest in the party that is about to enter into a contractual relationship with the insurance or reinsurance company,

*b)* if they are otherwise interested in connection with a contract to be concluded, and

*c)* if they are on the management body or supervisory board of the party that is about to enter into a contractual relationship with the insurance or reinsurance company.

(2) In the cases provided for in Subsection (1), the person affected by such conflict of interest may not take part in any phase of the decision-making process.

#### *Section 74/A<sup>1</sup>*

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1 Enacted by Section 163 of Act CXXVI of 2018, effective as of 29 December 2018.

The senior executives of insurance and reinsurance companies and their non-management officers shall notify the insurance or reinsurance company within two working days if they no longer comply with fit and proper requirements.

#### *Section 75*

(1) The senior executives of insurance and reinsurance companies, their non-management officers and their employees involved in activities related to the insurance and reinsurance business shall provide a statement before the time of conclusion of the employment or agency contract to the insurance or reinsurance company in writing declaring if they or one of their close relatives have any direct or indirect ownership interest in the insurance or reinsurance company, in another insurance or reinsurance company, or an economic operator engaged in insurance mediation.

(2) If the ownership interest referred to in Subsection (1) exists, the statement shall specify the size of such ownership interest.

(3) The senior executives of insurance and reinsurance companies, their non-management officers and their employees and agents involved in activities related to the insurance and reinsurance business shall notify within two working days in writing any changes in the occurrence or existence of the circumstances provided for in Subsections (1) and (2) during their term of employment or term in office.

(4) The insurance or reinsurance company shall keep records of the notifications and statements filed in accordance with Subsections (1)-(3).

#### *Section 75/A<sup>1</sup>*

(1) Managers of insurance and reinsurance companies responsible for distribution operations, and the contributors of insurance and reinsurance companies shall be of good repute as provided for in Section 69/A.

(2) Insurance and reinsurance companies are required to verify compliance with the requirement of good repute under Section 69/A of persons engaged under legal relationship, at the time of their registration, and shall be entitled to do so subsequently, during the life of their legal relationship.

(3) Contributors of insurance and reinsurance companies pursuing insurance or reinsurance distribution activities must be registered in the internal register referred to in Subsection (4) of Section 48/A.

### **CHAPTER IV**

## **SYSTEM OF GOVERNANCE OF INSURANCE AND REINSURANCE COMPANIES**

### *28. General requirements relating to governance arrangements*

#### *Section 76*

(1) Insurance and reinsurance companies are required to have in place an effective system of governance proportionate to the nature, scale and complexity of the operations of the insurance or reinsurance company, and to the company's size, which provides for sound and prudent management of the business (principle of proportionality).

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<sup>1</sup> Enacted by Section 147 of Act CXLV of 2017, effective as of 23 February 2018.

(2) The principle of proportionality shall apply to all segments of the insurance or reinsurance company's system of governance.

#### *Section 77*

(1) The ultimate responsibility for compliance with the obligations laid down by this Act and other regulations adopted by authorization of this Act, including those covered by outsourced activities, shall lie with the management body of the insurance or reinsurance company.

(2) The insurance or reinsurance company's system of governance shall include:

a) the insurance company's structural organization and key functions clearly documented in the internal policies;

b) well defined, transparent and consistent lines of responsibility;

c) measures to facilitate effective information flows; and

d) reasonable steps to ensure continuity and regularity in the performance of its activities, including appropriate and proportionate systems, resources and procedures, as well as contingency plans.

(3) Internal policies shall clearly define the relevant tasks, objectives, processes and the relevant reporting procedures, all of which shall be consistent with the insurance company's overall business strategy.

(4) Those written policies shall be reviewed upon any major changes in the system of governance or in the field affected, or at least annually.

#### *Section 78*

(1) All meetings of the management body and supervisory board of the insurance or reinsurance company shall be recorded in minutes. The minutes shall indicate:

a) the venue and the date and time of the meeting;

b) the names of the members present;

c) the motions presented;

d) the resolutions approved, and any protests raised against such decisions.

(2) A member of the management body or the supervisory board may request his statement to be recorded in the minutes verbatim.

(3) The minutes shall be signed by the chair of the meeting and by two other members present. A copy of the minutes shall be sent to all members of the management body, and the minutes of the management body meeting shall be sent to the chair of the supervisory board within fifteen days following the meeting, regardless of whether they were present or not.

#### *Section 79<sup>1</sup>*

The internal control system shall at least include administrative and accounting procedures, an internal audit framework, appropriate reporting arrangements and data disclosure regimes covering all levels of the company, as well as a compliance function.

#### *Section 80*

Apart from the internal audit function, all other functions are delegated under the supervision of the management body, and the person performing the function shall report to the management body having regard to structural organization, and shall - if deemed necessary - cooperate with persons performing other functions in the interest of carrying out his duties.

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1 Amended by Paragraph a) of Section 214 of Act CXLV of 2017.

## 29. Key functions

### Section 81

Insurance and reinsurance companies shall have in place at least the following key functions:

- a) actuarial function;
- b) risk management function;
- c) compliance function; and
- d) internal control function.

### Section 82

(1) The actuarial function shall cover the following duties:

- a) coordinate the calculation of technical provisions;
- b) ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- c) assess the sufficiency and quality of the data used in the calculation of technical provisions;
- d) compare best estimates against experience;
- e) arrange for the distribution of the return on investment in the life insurance branch;
- f) inform the management body of the reliability and adequacy of the calculation of technical provisions;
- g) express an opinion on the overall underwriting policy;
- h) express an opinion on the adequacy of reinsurance arrangements; and
- i) contribute to the effective implementation of the risk-management system, in particular with respect to
  - ia) the risk modeling underlying the calculation of the amounts of the solvency capital requirement and of the minimum capital requirement, and
  - ib) own-risk and solvency assessment.

(2) In the case of insurance groups, the person performing the actuarial function at group level shall express an opinion on the adequacy of reinsurance arrangements and policies at group level.

(3) The actuarial function shall be carried out by persons:

- a) who have knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business of the insurance company, and
- b) who are able to demonstrate their relevant experience with applicable professional and other standards.

### Section 83

The risk management function shall cover the implementation of the risk-management system.

### Section 84

(1) The compliance function shall, in particular, cover the following duties:

- a) ensure the insurance or reinsurance company's compliance with the statutory provisions governing its activities and operations at all times, and that their internal regulations and policies are consistent with the relevant statutory provisions;

b) frequently monitor and oversee the enforcement of measures and procedures designed to detect any risk of failure by the insurance or reinsurance company to comply with its obligations under this Act or in specific other legislation adopted by authorization of this Act;

c) frequently monitor and oversee that the insurance or reinsurance company has in fact put in place appropriate measures to identify any deficiencies in compliance;

d) provide assistance to the insurance or reinsurance company's management body, employees and agents so as to ensure that the insurance or reinsurance company is able to meet its obligations delegated by the statutory provisions governing its activities and operations;

e) prepare the report referred to in Subsection (2); and

f) draw up the compliance policy and compliance strategy.

(2) The person performing the compliance function shall be responsible to report at least annually to the management body and the supervisory board concerning the insurance company's compliance with the relevant statutory provisions and internal regulations and policies, indicating:

a) the date and time and the subject of the inspection, the names of the employees involved, and the period reviewed;

b) the findings and the outcome of the inspection, and any recommendation as to the actions required, including the type, the objective and time limit for such actions;

c) an overview of the measures implemented to date relying on the recommendations presented during the inspection, and the results of these measures; and

d) an overview of the actions in progress at the time the report is drafted, including the relevant time limits and an indication of the expected results.

### Section 85

(1) The internal audit function shall exclusively cover the following duties:

a) verifying the effectiveness and efficiency of the insurance or reinsurance company's internal policies; and

b) verifying insurance and reinsurance activities in respect of legality, security, transparency and prudential requirements.

(2) The person performing the internal control function shall, in addition to what is contained in Subsection (1), check, at least quarterly, the accuracy and completeness of the contents of the submitted reports as well as the data disclosed by the insurance or reinsurance company to the Authority.

(3) The person performing the internal control function shall send at least a summary of his reports to the supervisory board and the management body both. The summary aforementioned shall be prepared also in Hungarian and shall be made available to the officers carrying out the regulatory inspection.

(4) The supervisory board shall, in particular, have the following responsibilities in connection with overseeing the operations of the insurance or reinsurance company:

a) ascertaining that the insurance or reinsurance company has a comprehensive control system in place affording suitable facilities for effective operation;

b) supervise the activities of the person performing the internal control function, covering:

ba) the approval of the annual control plan,

bb)<sup>1</sup> analysis of the reports prepared by the person performing the internal control function at least once in every calendar quarter, and overseeing the implementation of the necessary measures,

bc) the appointment, if necessary, of outside experts to assist in the work of the person performing the internal control function, and

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1 Enters into force as amended under Point 3 of Section 67 of Act CLXII of 2015.

*bd)* determine the number of persons involved in performing the internal control function, if the insurance or reinsurance company did not outsource the internal control function; and

*c)* draw up recommendations, proposals and measures based on the findings of the inspections carried out by the person performing the internal control function, and shall oversee the implementation of those recommendations, proposals and measures.

### *30. Risk-management system*

#### *Section 86*

(1) Insurance and reinsurance companies shall have in place an effective risk-management system necessary to identify, measure, monitor, manage and report, on a continuous basis the risks, at an individual and at an aggregated level, to which they are or could be exposed, and their interdependencies. The risk-management system is comprised of the necessary strategies, processes and reporting procedures.

(2) The risk-management system shall be effective and well integrated into the organizational structure and in the decision-making processes of the insurance or reinsurance company with proper consideration of the activities of executive employees who effectively run the company or have other key functions.

#### *Section 87*

(1) The risk-management system shall cover at least the following areas:

- a)* insurance or reinsurance underwriting and reserving;
- b)* asset-liability management;
- c)* investment, in particular derivatives;
- d)* liquidity and concentration risk management;
- e)* operational risk management;
- f)* reinsurance and other risk-mitigation techniques;
- g)* the risks to be included in the calculation of the solvency capital requirement as well as the risks which are not or not fully included in the calculation thereof;
- h)* where the matching adjustment or the volatility adjustment is applied, setting up a liquidity plan projecting the incoming and outgoing cash flows in relation to the assets and liabilities subject to those adjustments; and
- i)* where the assessments of external credit assessment institutions are used in the calculation of technical provisions and the solvency capital requirement, assessment of the appropriateness of those external credit assessments wherever practicable.

(2) For insurance and reinsurance companies using a partial or full internal model the risk-management function shall cover the following additional tasks:

- a)* to design and implement the internal model;
- b)* to test and validate the internal model;
- c)* to document the internal model and any subsequent changes made to it;
- d)* to analyze the performance of the internal model and to produce summary reports thereof;
- e)* to inform the management body about the performance of the internal model, suggesting areas needing improvement, and up-dating that body on the status of efforts to improve previously identified weaknesses.

(3) As regards Paragraph *b)* of Subsection (1), insurance and reinsurance companies:

- a)* shall regularly assess the sensitivity of their technical provisions and eligible own funds to the assumptions underlying the extrapolation of the relevant risk-free interest rate term structure;



b) shall regularly assess where the matching adjustment is applied:

ba) the sensitivity of their technical provisions and eligible own funds to the assumptions underlying the calculation of the matching adjustment, including the calculation of the fundamental spread and the possible effect of a forced sale of assets on their eligible basic own funds,

bb) the sensitivity of their technical provisions and eligible own funds to changes in the composition of the assigned portfolio of assets,

bc) the impact of a reduction of the matching adjustment to zero;

c) shall regularly assess where the volatility adjustment is applied:

ca) the sensitivity of their technical provisions and eligible own funds to the assumptions underlying the calculation of the volatility adjustment and the possible effect of a forced sale of assets on their eligible basic own funds,

cb) the impact of a reduction of the volatility adjustment to zero.

(4) Insurance and reinsurance companies shall submit the assessments referred to in Paragraphs a)-c) of Subsection (2) hereof to the Authority as part of the information reported under Paragraph a) of Subsection (2) of Section 269.

(5) Where the reduction of the matching adjustment or the volatility adjustment to zero would result in non-compliance with the solvency capital requirement, the insurance or reinsurance company shall also submit to the Authority an analysis of the measures it could apply in such a situation to re-establish the level of eligible own funds covering the solvency capital requirement or to reduce its risk profile to restore compliance with the solvency capital requirement.

### *Section 88*

(1) The written policy on risk management shall comprise detailed rules on the requirements set out in Section 86.

(2) As regards investment risk, insurance and reinsurance companies shall demonstrate that they comply with Sections 103-106.

### *31. Own risk and solvency assessment*

### *Section 89*

(1) As part of its risk-management system every insurance and reinsurance company shall conduct its own risk and solvency assessment.

(2) Own risk and solvency assessment shall include at least the following:

a) description of the insurance or reinsurance company's specific risk profile;

b) the insurance or reinsurance company's underwriting liabilities and its overall solvency needs taking into account the specific risk profile, approved risk tolerance limits and the business strategy of the insurance or reinsurance company;

c) the compliance, on a continuous basis, with the solvency capital requirements, minimum capital requirement, and with the requirements regarding technical provisions;

d) the significance with which the specific risk profile of the insurance or reinsurance company concerned deviates from the assumptions underlying the solvency capital requirement, calculated with the standard formula or with its partial or full internal model; and

e) where the matching adjustment or the volatility adjustment is applied, the assessment of compliance with the solvency capital requirements and the minimum capital requirement with and without taking into account those adjustments and transitional measures.

(3) In the case referred to in Paragraph *d*) of Subsection (2), when an internal model is used, the assessment shall be performed together with the recalibration that transforms the internal risk numbers into the solvency capital requirement risk measure and calibration.

(4) As part of its risk and solvency assessment every insurance and reinsurance company shall prepare a scheme of operations for at least three years, complete with the solvency capital requirement covering the entire duration of the plan.

(5) For the purposes of Subsections (2) and (4), the insurance or reinsurance company concerned shall have in place processes which are proportionate to the nature, scale and complexity of the risks inherent in its business and which enable it to properly identify and assess the risks it faces in the short and long term and to which it is or could be exposed.

(6) Own risk and solvency assessment shall be conducted to ensure compliance with the requirements set out in the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies relating to:

- a*) own funds; and
- b*) technical provisions.

(7) Own risk and solvency assessment shall be an integral part of the business strategy and shall be taken into account on an ongoing basis in the strategic decisions of the insurance or reinsurance company.

(8) Insurance and reinsurance companies shall perform the own risk and solvency assessment referred to in Subsection (2), prepare the scheme of operations under Subsection (4) and shall present the minimum solvency capital requirement at least once a year, and without any delay following any significant change in their risk profile.

(9) Insurance and reinsurance companies shall inform by 30 November each year the Authority of the results of each own risk and solvency assessment, and on the methodologies used for the assessment.

(10) Insurance and reinsurance companies shall inform the Authority of the results of own risk and solvency assessment conducted following any significant change in their risk profile within thirty days.

(11)<sup>1</sup> The own risk and solvency assessment shall not serve to calculate the capital requirement imposed upon the insurance or reinsurance company. The solvency capital requirement shall be calculated in accordance with the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies exclusively.

### *32. Conditions for outsourcing*

#### *Section 90*

(1) In due observation of the provisions on data protection, insurance and reinsurance companies may outsource any part of their activities.

(2) In the event of outsourcing the administration processes of insurance and reinsurance companies, Subsections (3)-(7) of this Section and Sections 91-92 shall apply. Supply of products by others shall not be construed as outsourcing.

(3) Outsourcing arrangements shall comply with the following conditions:

*a*) it may not result in the delegation by the senior executives and non-management officers of their responsibilities, the exercise of such responsibilities shall remain with the insurance or reinsurance company;

*b*) the contractual relationship and obligations towards clients must not be altered to the detriment of clients, and the commitments prescribed in this Act toward the clients must not be undermined; and

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<sup>1</sup> Amended by Paragraph *a*) of Section 176 of Act LIII of 2016.

c) the conditions with which the insurance or reinsurance company is to comply in order to be authorized for the pursuit of the activities governed under this Act shall not be undermined.

(4) Outsourcing of administration processes can take place on condition that the insurance or reinsurance company retains control and supervision of the outsourced activities, and that underwriting liabilities in connection with insured risks remain with the insurance or reinsurance company.

(5) Key functions and activities cannot be outsourced, where such outsourcing arrangement:

a) is likely to impact the insurance or reinsurance company's ability to meet its commitments stemming from insurance contracts:

aa) in jeopardizing the system of governance,

ab) by way of increasing operational risks;

b) prevents the Authority in carrying out its duties; or

c) is likely to jeopardize the interests of clients.

(6) Insurance and reinsurance companies shall notify the Authority concerning the outsourcing of key functions and activities, including any changes therein, five days before the outsourcing arrangement is scheduled to take effect, or before the effective date of changes. The notification shall contain a notice concerning the outsourcing arrangement, the name and address of the outsourcing service provider and the duration of outsourcing.

### *Section 91*

(1) The insurance or reinsurance company shall be held liable for any and all damages caused to third parties by, and for the payment of restitution incurred in connection with, the outsourced activities.

(2) The insurance or reinsurance company is responsible to ascertain that the outsourcing service provider is performing the activity in compliance with the relevant legislation and with due care and attention. If it comes to the insurance or reinsurance company's attention that performance of the outsourced activity violates the law or the underlying contract, it shall forthwith advise the outsourcing service provider to perform the activities in compliance with the law and with the contract. If the outsourcing service provider performs the outsourced functions in serious breach of the contract, or, in spite of warning, continues to perform the aforesaid functions in violation of the law or in breach of the contract, the insurance or reinsurance company must cancel the contract with immediate effect.

(3) Any outsourcing service provider that performs activities for one or more insurance or reinsurance companies, or to at least one insurance company and at least one reinsurance company at any given time, must separately handle the facts, data and information disclosed by such insurance companies or reinsurance companies in due observation of the provisions on data protection.

(4) The insurance or reinsurance company shall not be allowed to outsource any functions to a service provider:

a) in which an executive officer of the insurance or reinsurance company or a close relative of such executive officer has an ownership interest, or

b) in which an executive officer of the insurance or reinsurance company or a close relative of such executive officer holds an executive office.

(5) The restriction contained in Subsection (4) shall not apply if the insurance or reinsurance company and the outsourcing service provider are owned by the same person, or if the outsourcing service provider owns the insurance or reinsurance company, or if the outsourcing service provider is owned by the insurance or reinsurance company or if they belong to the same ownership group.

### *Section 92*

(1) If outsourcing involves the insurance or reinsurance company conveying the personal data of its clients to the outsourcing service provider, the underlying contract shall contain provisions laying down the rules of data processing and the provisions on data protection.

(2) The insurance or reinsurance company shall ascertain that its auditor has access at the outsourcing service provider to data and information, and to documents to the extent deemed necessary for carrying out the functions of his job.

## CHAPTER V

### MATERIAL CONDITIONS FOR THE PURSUIT OF THE BUSINESS OF INSURANCE AND REINSURANCE

#### *33. Material conditions for the taking up and pursuit of activities*

##### *Section 93*

(1) At the time of taking up the business of insurance or reinsurance, the share capital of limited insurance or reinsurance companies, the capital of cooperative insurance or reinsurance companies, the initial capital of mutual associations and the endowment capital of the Hungarian branches of third-country insurance or reinsurance companies must be sufficient to cover:

a) the implementation of an appropriate systems of governance required for the commencement of operations, including personnel conditions in respect of management and the employees, and the material conditions for operations, and  
b) the minimum guarantee fund.

(2) The minimum amount of the funds required to cover the costs of setting up a department for carrying out administrative services and business operations is:

a) one hundred million forints for limited insurance and reinsurance companies and for branches of third-county insurance companies;  
b) fifty million forints for cooperative insurance and reinsurance companies;  
c) one million forints for mutual associations.

(3) Until receipt of authorization for the commencement of operations, the funds referred to in Subsection (2) may only be used for setting up the conditions of operations as prescribed in this Act.

(4) The amount of the minimum guarantee fund shall be determined separately for classes of insurance and organizational types in accordance with the provisions on determining the minimum capital requirement.

##### *Section 94*

(1) The following requirements shall be satisfied for authorization for the pursuit of insurance and reinsurance activities:

a) facilities for keeping accounting and other records in compliance with the relevant legislation;

b) filing, data processing systems and data disclosure regimes for continuous tasking;

c) infrastructure, information technology, technical and security background, and premises suitable for carrying out the activities;

d) internal conduct of business rules so as to ensure reliable and prudent operations;

e) information and control procedures and systems for reducing operating risks, and a plan for handling emergency situations;

f) compliance with statutory provisions relating to personnel conditions and - with the exception of insurance companies covered by Part Six - to the system of governance; and

g) requirements relating to clear organizational structure.

(2)<sup>1</sup> The business records and the internal control system shall be deemed appropriate if - above and beyond the provisions of the Accounting Act and other relevant legislation - they have facilities for managing the insurance and reinsurance company in a prudent and circumspect manner, they permit oversight of management by internal control and by the Authority, and assist the insurance company in meeting its legal obligations.

(3) Insurance and reinsurance companies are required to set up - in accordance with the decree on the protection of IT system - a regulatory regime concerning the security of their information systems used for providing insurance and reinsurance services, and to provide adequate protection for the information system consistent with existing security risks.

(4)<sup>2</sup> Insurance or reinsurance companies shall have in place an IT system with facilities to ensure the integrity of system components, to prevent unauthorized access to, and undetected modification of, the IT system. The IT system must be in compliance with overall information security and system integrity requirements. To that end, the insurance and reinsurance companies shall implement administrative measures and measures to ensure physical and logical protection in compliance with overall information security and system integrity requirements.

(5)<sup>3</sup> Compliance with the requirements set out in Subsection (4) shall be verified by a certificate issued by an external expert (hereinafter referred to as "certification body") for the IT system in question. The requirements relating to the certification body and to certification, including the maximum fee chargeable - exclusive of value added tax - for the certification procedure shall be laid down in specific other legislation.

(6)<sup>4</sup> The certification body referred to in Subsection (5) shall inform the Authority without delay in writing of any fact concerning the IT system of an insurance or reinsurance company that adversely affects the continuous functioning of the insurance or reinsurance company, of any fact of which they have become aware, which constitute a material breach of the laws, or the insurance or reinsurance company's management policy, or forewarn any imminent infringement of such regulations.

(7)<sup>5</sup> The certification body, including its subcontractor, shall be authorized to process data of the audited institution which are deemed necessary for the certification process - including personal data and business secrets - for the purpose of monitoring compliance with requirements to be certified, to the extent required for the certification process, until the conclusion of the certification process, and shall not disclose such data to third parties.

(8)<sup>6</sup> The certification body, including its subcontractor, shall adopt internal regulations designating associates in certain positions vested with authority to access such business secrets during the certification process, so as to acquaint themselves with its content. The associates participating in the procedure shall be subject to the obligation of professional secrecy with respect to the business secrets received in performing the functions of their job also upon termination of their relationship with the certification body.

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1 Amended by Paragraph b) of Section 214 of Act CXLV of 2017.

2 Enacted by Section 283 of Act LXXXV of 2015, effective as of 2 January 2016.

3 Established by Subsection (1) of Section 44 of Act CLXXXII of 2016, effective as of 28 December 2016.

4 Enacted by Section 283 of Act LXXXV of 2015, effective as of 2 January 2016.

5 Enacted by Subsection (2) of Section 44 of Act CLXXXII of 2016, effective as of 28 December 2016.

6 Enacted by Subsection (2) of Section 44 of Act CLXXXII of 2016, effective as of 28 December 2016.

### *34. Scheme of operations*

#### *Section 95*

(1) The scheme of operations shall specify the scope of the insurance or reinsurance activities and the important facts and information from the perspective of performing the commitments undertaken in the insurance or reinsurance contract, particularly:

a) descriptions of the branch and class of insurance and the risk groups within the various classes, and descriptions of the class of reinsurance and the risk factors within the various classes;

b) definition of the field of operation;

c) the basic own-fund items covering the absolute floor of the minimum capital requirement;

d) the estimated costs of setting up the administrative services and the organization for securing business and the means of financing, if the insurance company plans to provide assistance services, a description of the financial resources and other assets at the insurance company's disposal for performing such assistance services;

e) the kinds of reinsurance arrangements which the reinsurance company proposes to make with ceding companies;

f) the guiding principles as to retrocession.

(2) In addition to the requirements set out in Subsection (1), for the first three financial years of the insurance or reinsurance company's operations the scheme shall include the following:

a) a forecast balance sheet;

b) estimates of the future solvency capital requirement on the basis of the forecast balance sheet, as well as the calculation method used to derive those estimates;

c) estimates of the future minimum capital requirement on the basis of the forecast balance sheet, as well as the calculation method used to derive those estimates;

d) estimates of the financial resources intended to cover technical provisions, the minimum capital requirement and the solvency capital requirement;

e) in regard to non-life insurance,

ea) estimates of management expenses, in particular acquisition costs, current general expenses and commissions,

eb) estimates of premiums and claims;

f) in regard to life insurance, also a plan setting out detailed estimates of premiums and claims arising out of, or in connection with, insurance contracts, in regard to life insurance and to reinsurance acceptances and reinsurance cessions, both.

(3) In addition to what is contained in Subsection (2), the scheme of operations shall specify any plans pertaining to reinsurance, showing separately the estimated proceeds and expenses regarding reinsurance.

### *35. Valuation of assets and liabilities*

#### *Section 96*

(1) Insurance and reinsurance companies shall value assets and liabilities as set forth in Subsections (2)-(4).

(2) Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

(3) Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

(4) When valuing liabilities under Subsection (3), no adjustment to take account of the own credit standing of the insurance or reinsurance company shall be made.

(5) The provisions of this Section shall be applied in conjunction with the provisions adopted by the Commission within the meaning of Article 75(2) of the Solvency II Directive.

### *36. Rules relating to technical provisions*

#### *Section 97*

(1) Insurance and reinsurance companies shall establish technical provisions with respect to all of their insurance and reinsurance obligations arising out of, or in connection with, insurance or reinsurance contracts.

(2) The calculation of technical provisions shall make use of and be consistent with information provided by the financial markets and generally available data on underwriting risks.

(3) Technical provisions shall be calculated in a prudent, reliable and objective manner.

(4) Insurance and reinsurance companies shall segment their insurance and reinsurance obligations into risk groups when calculating their technical provisions.

(5) If Subsection (4) cannot be applied, insurance and reinsurance companies may segment their insurance and reinsurance obligations by lines of business as well.

#### *Section 98*

In calculating their technical provisions, insurance and reinsurance companies shall apply the provisions of Section 97 in accordance with the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies, and also with the implementing measures adopted by the Commission within the meaning of Article 86(1)a)-d) and f)-i) of the Solvency II Directive.

### *37. Capital requirements*

#### *Section 99*

Insurance and reinsurance companies shall hold eligible own funds covering the solvency capital requirement.

#### *Section 100*

In calculating their solvency capital requirement, insurance and reinsurance companies shall apply the provisions of Section 99 in accordance with the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies, and also with the implementing measures adopted by the Commission within the meaning of Article 99, Article 111(1)a)-q) and Article 127 of the Solvency II Directive.

### *38. Minimum capital requirement*

#### *Section 101*

(1) Insurance and reinsurance companies shall hold eligible basic own funds covering the minimum capital requirement.

(2) The minimum capital requirement shall be calculated in accordance with the rules set out in Subsections (3)-(4) hereof and in Section 102, furthermore, these provisions shall be applied in accordance with the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies, and also with the implementing measures adopted by the Commission within the meaning of Article 130 of the Solvency II Directive.

(3) The minimum capital requirement shall correspond to an amount of eligible basic own funds below which performance of insurance and reinsurance obligations arising out of, or in connection with, insurance or reinsurance contracts may be exposed to an unacceptable level of risk.

(4) The minimum capital requirement shall be calculated in a clear and simple manner, and in such a way as to ensure that the calculation can be audited.

### *Section 102*

(1) The minimum capital requirement shall neither fall below 25 per cent nor exceed 45 per cent of the insurance or reinsurance company's solvency capital requirement.

(2) If the amount provided for in Subsection (1) is smaller than the sums provided for in Paragraphs a)-c) it shall have an absolute floor of:

a)1 2,700,000 euro for non-life insurance companies, however, in the case of insurance companies pursuing either one of the classes 10-15 listed in Part A) of Annex 1, it shall be 4,000,000 euro;

b)2 4,000,000 euro for life insurance companies;

c)3 3,900,000 euro for reinsurance companies, except in the case of captive reinsurance companies, in which case the minimum capital requirement shall be no less than 1,300,000 euro.

(3) The minimum capital requirements prescribed for each class of insurance will be aggregated for the insurance companies authorized to conduct both life insurance and non-life insurance business, including the absolute floor of the minimum capital requirement.

## *39. Investments*

### *Section 103*

(1) Under the freedom of investment, insurance or reinsurance companies shall be entitled to invest in any asset, having regard to the provision set out in Subsection (4).

(2) Insurance or reinsurance companies are free to make investment decisions, without any restrictions. Those decisions shall not be subject to any kind of prior approval by any supervisory authority, and the Authority may not prescribe systematic notification requirements relating to such decisions.

(3) Investments shall be made with high standard of care, in a safe and prudent manner.

(4)4 As regards the investments of insurance and reinsurance companies, the provisions of Sections 104-107 shall apply in accordance with the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies, and also with the implementing measures adopted by the Commission within the meaning of Article 135(1)a)-b) and Article 135(2) of the Solvency II Directive.

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1 Amended by Paragraph c) of Subsection (2) of Section 45 of Act XX of 2022.

2 Amended by Paragraph d) of Subsection (2) of Section 45 of Act XX of 2022.

3 Amended by Paragraph e) of Subsection (2) of Section 45 of Act XX of 2022.

4 Amended by Point 4 of Section 181 of Act CXXVI of 2018.



*Section 104*

(1) With respect to the whole portfolio of assets, insurance and reinsurance companies shall invest in assets and financial instruments whose risks the company concerned can properly identify, measure, monitor, manage, control and report.

(2) With respect to the whole portfolio of assets, insurance and reinsurance companies shall appropriately take into account the assessment made in accordance with Paragraph *b*) of Subsection (2) of Section 89.

(3) All assets shall be invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole, moreover, those assets shall be invested in such a manner so as to ensure their availability to the insurance company.

(4) Assets held to cover the technical provisions shall also be invested in a manner appropriate to the nature and duration of the insurance and reinsurance liabilities.

(5) Assets held to cover the technical provisions shall be invested in the best interest of all clients taking into account any investment objective disclosed in the investment policy.

(6) In the case of a conflict of interest, insurance companies, or the entity which manages their asset portfolio, shall ensure that the investment is made in the best interest of clients.

*Section 104/A<sup>1</sup>*

(1) Where the assets of an insurance or reinsurance company is managed - in part or in whole - by the company itself, that activity shall be entrusted to a person - under contract of employment - who:

*a*) has no prior criminal record;

*b*) has a university-level or master's degree in the relevant field, such as in the field of actuarial studies, natural sciences, economics, law, or engineering, or has a diploma in auditing, or a diploma in higher education or post graduate qualification in the banking profession;

*c*) complies with fit and proper requirements; and

*d*)<sup>2</sup> has at least three years of experience in investments, asset management at an insurance, reinsurance company or financial organization.

(2) As regards the employment of the person referred to in Subsection (1) hereof, the provisions laid down in Subsections (4)-(6) of Section 53 shall also apply.

(3) The end of the period of professional experience specified in Paragraph *d*) of Subsection (1) shall be within ten years of the date of the beginning of employment of the person responsible for the management of investments.

(4) The person provided for in Subsection (1):

*a*) shall direct operations relating to in-house management of assets;

*b*) shall be responsible to ensure that the asset management activities of insurance and reinsurance companies are carried out prudently, and that investments are made in compliance with the relevant provisions of this Act.

*Section 104/B<sup>3</sup>*

(1) Insurance and reinsurance companies shall conduct all financial transactions in connection with operations through payment account opened at a credit institution.

(2) Insurance and reinsurance companies shall disclose to the Authority the name of the credit institution where the payment account referred to in Subsection (1) is held, including the account number, within three days after the account is opened.

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<sup>1</sup> Enters into force as under Section 27 of Act CLXII of 2015.

<sup>2</sup> Established by Section 148 of Act CXLV of 2017, effective as of 21 November 2017.

<sup>3</sup> Enters into force as under Section 27 of Act CLXII of 2015.

(3) Insurance and reinsurance companies shall execute transactions connected, among others, to their service activities and regular operations through subaccounts of the payment account, having regard to Subsection (1) of Section 109 and Subsections (1) and (3) of Section 110.

(4) Insurance and reinsurance companies shall keep funds, other than the funds required for operating expenses, which are invested in financial instruments in investment accounts maintained by a depositary used for such task.

(5) The manager of such investments shall inform the depositary fully on daily transactions.

(6) The manager of investments and the depositary shall calculate the net asset value, if the unit price of the asset fund differs from the price of the underlying fund. The asset values calculated shall be confirmed for each valuation date.

(7) If the depositary employs a contributor in carrying out its activities, the depositary shall be held liable for the actions of such contributor.

### *Section 105*

(1) In addition to what is contained in Section 104, with respect to assets held as cover for technical provisions in respect of life insurance contracts where the investment risk is borne by the policyholders, and where the benefits provided under the contract are directly linked:

a)<sup>1</sup> to the value of units in an UCITS investment unit, or

b) to the value of assets contained in an internal fund held by the insurance companies (asset funds), comprising theoretical settlement components of identical value (investment units),

the technical provisions in respect of those benefits must be invested in units represented as closely as possible by those assets.

(2) Where the benefits provided by a contract are directly linked to a share index or some other reference value other than those referred to in Subsection (1), the technical provisions in respect of those benefits must be represented as closely as possible either by the units deemed to represent the reference value or by assets of appropriate security and marketability which correspond as closely as possible with those on which the particular reference value is based.

(3) Where the benefits referred to in Subsections (1) and (2) include a guarantee of investment performance or some other guaranteed benefit, the assets held to cover the corresponding additional technical provisions shall be subject to Section 106.

### *Section 106*

(1) In addition to what is contained in Section 104, without prejudice to Subsection (2) hereof, investments in derivative instruments shall be possible insofar as they contribute to a reduction of risks or facilitate efficient portfolio management.

(2) Investment and assets which are not admitted to trading on a regulated financial market shall be kept to prudent levels.

(3) Assets shall be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of companies, or geographical area and excessive accumulation of risk in the portfolio as a whole.

(4) Investments in assets issued by the same issuer, or by issuers belonging to the same group, shall not expose the insurance companies to excessive risk concentration.

### *Section 107*

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1 Amended by Paragraph a) of Section 182 of Act CXXVI of 2018.

(1) In connection with the investment and management of the assets held as cover for the reserves of unit-linked life insurance policies the following provisions shall be observed:

a) the investment policy of the asset funds shall inter alia contain the data and information provided for in Annex 12;

b) policyholders must be informed on a regular basis concerning the market value of the liquid assets and financial instruments comprised in the portfolio of their choice;

c) performance of the portfolio shall be demonstrated according to the criteria specified in Annex 10;

d) insurance companies may not purchase for any portfolio they manage:

da) securities of their own issue,

db) securities issued by their related companies, with the exception of securities admitted to trading on a regulated market or that is subject to quote-driven trading;

e) an insurance company may not transact any deals involving financial instruments - with the exception of government securities with a maturity of less than six months and open-ended public investment units - that are not listed on a regulated market on behalf of any portfolio it manages with a company in which it has a qualifying interest or with a company that has a qualifying interest in the insurance company;

f)<sup>1</sup> the investment shall be made for the clients, in accordance with the investment policy, professionally, under the general principles on fairness, transparency and with due care, with particular regard to the price, expenditures - including any refund received and other deductions in asset management - and the return expected.

(1a)<sup>2</sup> Insurance companies shall specify any price, fee or remuneration they charged, and any deduction they applied in proportion of provisions, so as to ensure that such specification and the related description clearly demonstrates their purpose and underlying content.

(2) Insurance companies shall adopt regulations to fix the evaluation principles for the securities referred to in Paragraph a) of Subsection (1), and concerning the means and frequency of disclosure of information to policyholders.

(3) Insurance companies shall be allowed to make changes in the investment policy of asset funds in compliance with the contract terms and conditions, and only in a way to ensure that such change shall not effect the level of risk of the given asset fund. Changes in the investment policy can be made only if the original investment policy cannot be implemented due to changes in the investment climate, or to changes in the accessibility or availability of assets.

(4) Insurance companies shall communicate - as provided for in Subsection (5) - to the clients concerned any changes made in the investment policy at least sixty days in advance, if, however, the circumstances referred to in Subsection (3) do not permit it, insurance companies shall perform such obligation of notification at the latest within five working days after the effective date of such changes. Insurance companies shall post an information bulletin on their websites on any changes made in their investment policy.

(5) The clients concerned shall be demonstrably notified of any changes in the investment policy as provided for in the contract or in the relevant agreement either orally, in writing or by way of electronic means.

(6) Following the date of notification, clients shall be given the opportunity to switch to another asset fund free of charge, within a period of sixty days.

(7) For the purposes of this Section 'related company' shall mean the company's parent company and subsidiary, a subsidiary of the company's parent company, a shareholder with a qualifying interest in the company or any other company in which the company or the owner, supervisory board member, managing director of the company or one of their close relatives has a qualifying interest.

1 Enacted by Subsection (1) of Section 154 of Act LIII of 2016, effective as of 1 January 2017.

2 Enacted by Subsection (2) of Section 154 of Act LIII of 2016. Amended by Paragraph b) of Section 213 of Act CXLV of 2017.

*40. Rules of disclosure relating to solvency and financial situation, and other publication requirements<sup>1</sup>*

*Section 108*

(1) Insurance and reinsurance companies are required to produce an annual report covering their financial situation and solvency.

(2) In the interest of compliance with the obligation of notification provided for in Subsection (1), insurance and reinsurance companies shall designate in their internal policy:


a) the department responsible for properly compiling the report, and

b) the rules for drafting and for the publication of the report.

(3) The report provided for in Subsection (1) shall be approved by the management body of the insurance or reinsurance company before publication.

(4)<sup>2</sup> The detailed provisions relating to the report provided for in Subsection (1) shall be laid down in the Government Decree on the Contents and Means of Publication of Solvency and Financial Condition Reports Connected to Insurance and Reinsurance Activities.

*Section 108/A<sup>3</sup>*

 (1)<sup>4</sup> Insurance and reinsurance companies are required to publish on their website the operative part of any resolution the Authority has adopted against them for any infringement of the relevant regulations.

(2) The obligation of publication referred to in Subsection (1) shall remain in effect for a period of five years from the date of delivery of the resolution in question.

(3) Additionally, insurance and reinsurance companies are allowed to publish the statement of the reasons for the resolution specified in Subsection (1). When releasing the statement of reasons, information branded privileged by confidentiality regulations relating to personal, insurance and trade secrets shall not be disclosed, however, the insurance or reinsurance company may decide to publish its own trade secrets at its own discretion.

(4)<sup>5</sup> Insurance and reinsurance companies shall be entitled - having regard to the above provisions - to publish the ruling adopted administrative action brought against the resolution referred to in Subsection (1) as well.

**CHAPTER VI**

**REGULATIONS GOVERNING THE REGISTERS OF ASSETS, THE  
ACCOUNTING SYSTEM AND FINANCIAL REPORTS OF INSURANCE  
COMPANIES**

*41. Records of assets*

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1 Established by Section 284 of Act LXXXV of 2015, effective as of 2 January 2016.

2 Enters into force as under Section 28 of Act CLXII of 2015. Amended by Point 7 of Subsection (1) of Section 175 of Act LIII of 2016.

3 Enacted by Section 285 of Act LXXXV of 2015, effective as of 2 January 2016. Enters into force as amended under Section 68 of Act CLXII of 2015.

4 Amended by Point 8 of Subsection (1) of Section 175, Paragraph b) of Section 176 of Act LIII of 2016, Paragraph a) of Section 206 of Act LXIX of 2017, Paragraph a) of Section 65 of Act CIX of 2023.

5 Amended by Point 6 of Section 484 of Act L of 2017.

*Section 109<sup>1</sup>*

(1) Insurance and reinsurance companies shall keep separate records of the assets - which are to be shown in the annual account according to accounting regulations - they use to cover their technical provisions of accountancy broken down according to the categories specified in Annex 6, and shall maintain separate records - also in the breakdown according to the categories specified in Annex 6 - for assets held as cover for technical provisions of accountancy and for the reserves of unit-linked life insurance policies, annexed to the asset register.

(2) The total value of the assets shown in the register may not be less than the technical provisions of accountancy, where the total value of the assets held as cover for mathematical provisions and for the reserves of unit-linked life insurance policies shall at all times reach the value of technical provisions of accountancy which these assets intended to cover.

(3) Where any asset shown in the asset register is encumbered by any liability, on account of which the asset in question cannot be fully included to cover the commitment arising from insurance or reinsurance contracts, this shall be so indicated in the asset register and the value that cannot be included shall be deducted from the value of the asset.

(4) Insurance and reinsurance companies shall keep separate records on their real estate properties that are used for insurance operations and on ownership interests in business associations.

*Section 110*

(1)<sup>2</sup> Insurance companies shall keep separate records of each managed fund attached to unit-linked life insurance policies, apart from the funds covering other technical provisions of accountancy and from the assets used for the insurance company's own investments.

(2) If the insurance company transfers assets from one asset fund to another, the provisions relating to records of transactions with third persons shall apply.

(3) Within the separate records referred to in Subsection (1), the insurance company shall open and keep sub-accounts designated for each and every asset fund for the purpose of analysis of the performance of the asset funds.

(4)<sup>3</sup> In the case of unit-linked life insurance policies, the insurance company may show on the policyholder's account only such investment units that has actually been placed into an asset fund or investment fund, showing the values at which the assets in question were placed.

(5)<sup>4</sup> The insurance company's records and the statements of account given to the customer must correspond.

*42. Accounting system and annual account of insurance or reinsurance companies**Section 111*

(1) Insurance and reinsurance companies shall keep their business records in Hungarian, in due compliance with the provisions of the laws and regulations on accounting, with facilities permitting inspection at any given time.

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1 Enters into force as under Section 29 of Act CLXII of 2015.

2 Amended by Point 9 of Subsection (1) of Section 175 of Act LIII of 2016.

3 Enters into force as under Section 30 of Act CLXII of 2015.

4 Enters into force as under Section 30 of Act CLXII of 2015.

(2) Insurance companies shall dissociate the accounting records for the costs and technical provisions of accountancy connected to compulsory motor vehicle liability insurance policies from all other insurance products. The rules for the accounting records of the compulsory motor vehicle liability insurance branch of insurance companies shall be decreed by the minister in charge of the money, capital and insurance markets.

#### *Section 112*

(1) Insurance and reinsurance companies shall, within one hundred and fifty days of the balance sheet date, send to the Authority a copy of their annual account - as approved by the general meeting containing an audit certificate - as well as their annual report, the minutes of the general meeting and the resolutions adopted.

(2) The insurance and reinsurance companies required to file a consolidated annual account shall send it to the Authority, together with the documents referred to in Subsection (1), within one hundred and eighty days of the balance sheet date.

(3) The authenticity of the documents provided for in Subsections (1)-(2) shall be endorsed with the signature of the insurance company's

- a) chief executive officer;
- b) a senior actuary;
- c) chief accounting officer.

(4) Insurance and reinsurance companies shall be required to file financial reports annually on the reinsurance and retrocession contracts they conclude with foreign companies, including their results, and shall send such reports to the Authority together with the annual account.

#### *Section 113*

The insurance companies engaged in emergency assistance operations shall disclose in their annual account and quarterly report the financial and other resources from which they finance the assistance services they provide.

#### *Section 114*

The special aspects of the annual reporting and accounting obligation of insurance companies shall be decreed by the Government.

#### *Section 115*

(1) Insurance and reinsurance companies shall send to the Authority the contract concluded with the auditor - for auditing the annual account - and all of the reports prepared by the auditor regarding the annual account.

(2) The Authority is entitled, on the basis of the auditor's report, to instruct the management body of an insurance or reinsurance company to provide for the re-examination of the financial report that contains any incorrect or inaccurate data, implement the necessary corrections and have the corrected data verified by an auditor.

(3) If, after the annual account has been approved, the Authority discovers that the annual account contains any substantial error, the Authority may order the management body concerned to have the figures revised and verified by an auditor. The insurance or reinsurance company must present the revised data verified by an auditor to the Authority before submitting it to the general meeting and re-publish the annual account once it has been approved by the general meeting.

### *43. Special rules relating to audit committees*

*Section 116<sup>1</sup>*

(1) Public-interest private insurance and reinsurance companies shall set up - for the purpose of carrying out the tasks provided for in Subsection (7) - an audit committee consisting of at least three members elected by the supreme body from among the members of the supervisory board and/or the management body.

(2) The chairman of the audit committee shall be appointed by its members or by the supervisory board from among the members of the audit committee.

(3)<sup>2</sup> At least one member of the audit committee shall hold professional qualifications in accounting and/or auditing.

(4) Subsection (1) shall not apply to any insurance or reinsurance company that is under group supervision, and the audit committee of its parent company established in Hungary performs the tasks defined in Subsection (7) with respect to the insurance or reinsurance company as well.

(5) Subsection (1) shall not apply if the insurance or reinsurance company has a body that meets the conditions laid down in Subsections (1)-(3), and this body performs the functions set out in Subsection (7) hereof.

(6) In the case provided for in Subsection (5), the insurance or reinsurance company shall disclose on its own website which body carries out the tasks set out in Subsection (7), and how it is composed.

(7) In addition to what is contained in Subsection (1) of Section 3:291 of the Civil Code, the audit committee shall, inter alia:

a) monitor the effectiveness of the public-interest insurance or reinsurance company's internal quality control and risk management systems and its financial reporting process and submit recommendations or proposals where deemed necessary;

b) monitor the statutory audit of the annual and consolidated annual account, taking into account any findings and conclusions by the authority in charge of the public oversight of auditors as provided for in Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors (hereinafter referred to as "Auditors Act") made during the quality assurance review provided for in the Auditors Act;

c) review and monitor the independence of licensed statutory auditors or the audit firms in accordance with the relevant legislation, and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

*Section 117<sup>3</sup>*

(1) The audit committee set up and operated by an insurance or reinsurance company shall satisfy the requirements set out in Subsections (2) and (7) of Section 116, in addition to what is contained in Section 3:291 of the Civil Code.

(2) An insurance or reinsurance company that has a body that meets the conditions laid down in Subsection (1) shall not be required to set up and operate an audit committee provided for in Subsection (1).

(3) In the case provided for in Subsection (2) hereof, the insurance or reinsurance company shall disclose on its own website which body carries out the tasks set out in Subsection (7) of Section 116, and how it is composed.

1 Established by Section 70 of Act XLIV of 2016, effective as of 4 June 2016.

2 Amended by Paragraph c) of Section 214 of Act CXLV of 2017.

3 Established by Section 71 of Act XLIV of 2016, effective as of 4 June 2016.

## CHAPTER VII

### TRANSFER OF PORTFOLIO

#### *44. Transfer of insurance portfolio*

##### *Section 118*

(1) An insurance portfolio may be transferred in part or in full, with the terms and conditions of the insurance contracts unaltered,

- a) to an insurance company established in Hungary,
- b) to an insurance company established in another Member State, including when specifically transferred to a branch of the transferor insurance company, and
- c) to the branch of a third-country reinsurance company established in a Member State.

(2) The transfer of portfolio may be carried out:

- a) on own initiative,
- b) as a measure provided for in Section 291.

(3) Portfolio may be transferred under authorization by the Authority, by agreement between the transferor and the transferee.

(4) Once the transfer has been concluded, the receiving insurance company will become a counterparty to the contracts involved, and also the data processor in terms of the personal data and trade secrets of clients, effective as of the date of the Authority's authorization.

(5) The transferor insurance company may continue to process insurance secrets and trade secrets:

- a) for the purpose of compliance with the obligation of safeguarding accounting records, for the duration of such obligation, and
- b) in the interest of exercising rights and obligations related to insurance activities, other than those arising out of the insurance contracts, until the end of the related prescription period.

(6) The consent of the insured persons, policyholders is not required for the portfolio transfer.

(7) The receiving insurance company shall notify in writing - in the language of the contract - all contracting parties concerned of the transfer within thirty days of receiving authorization.

(8) The contracting parties shall have the option to terminate their contracts in a written notice addressed to the receiving insurance company within thirty days of the date of receiving notification.

##### *Section 119*

The insurance portfolio of the Hungarian branch of an insurance company established in another Member State may be transferred in part or in full by authorization of the supervisory authority of the other Member State.

#### *45. Transfer of reinsurance portfolio*

##### *Section 120*



The provisions of Sections 118-119 shall apply mutatis mutandis to the transfer of a reinsurance portfolio, with the proviso that any reference made to:

- a) insurance company shall be construed as reinsurance company,
- b) insurance portfolio shall be construed as reinsurance portfolio.

### PART THREE

## INSURANCE PRODUCTS AND THE MARKETING THEREOF, ADMINISTRATION RULES CONCERNING CLIENTS

### CHAPTER VIII

#### RULES RELATING TO INSURANCE CONTRACTS

##### *46. Minimum content requirements for insurance contracts*

##### *Section 121*

(1) The terms and conditions of the insurance contract shall cover:

- a) the definition of the insured event and any applicable exclusions;
- b) the procedure and deadline for reporting losses;
- c) the regulations governing premium payments, the contractual rights and obligations of the insured party, the contracting party and the beneficiary, the manner and time of performance, and the consequences for failure to perform such rights and obligations;
- d) a description of the services provided by the insurance company, the mode, time and special conditions of performance and the conditions under which the insurance company is released from liability in part or in full;
- e) the detailed rules for inflation escalation, where applicable;
- f) a description of the rights of the insured person, the contracting party, and the beneficiary and the obligations of the insurance company that apply when the contract is terminated, including information on the provisions contained in Section 122 concerning the termination of the contract;
- g) the rules for the capitalization of regular payments of benefits in connection with sickness, accident and liability insurance, if applicable;
- h) the term of limitation on claims;
- i) the detailed rules for the provision of residual rights, and/or a life insurance policy loan, if available in the case of life insurance policies;
- j) optional daily access to information concerning the placement and value of unit-linked life insurance policies;
- k) theoretical and practical information on the handling of personal data if the contracting party or the policyholder is a natural person or a group entity consisting - in part or in whole - of natural persons;
- l) the insurance company's address;
- m)<sup>1</sup> the procedure for crediting the bonus, if any;
- n) the detailed rules concerning the suspension and separation of asset funds in accordance with Section 127, in the case of unit-linked life insurance policies;

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<sup>1</sup> Enters into force as amended under Paragraph a) of Subsection (1) of Section 72 of Act CLXII of 2015.

o) in the case of life insurance, accident and sickness insurance (health insurance) policies, the option to change the technical rate of interest during the term of the insurance contract, under the condition that it may be changed only if the highest technical rate of interest fixed in the decree on the highest technical rate of interest is amended.

(2) The parties to the contract may derogate from the provision set out in Subsection (3) of Section 6:470 of the Civil Code in the case of retail insurance contracts as well.

#### *47. Cancelling life insurance policies under special circumstances*

##### *Section 122*

(1)<sup>1</sup> A natural person entering into the life insurance contract acting for purposes which are outside his trade, business or profession shall be entitled to cancel the life insurance contract in writing - without having to show cause - within thirty days from the date of receipt of the notification referred to in Section 157.

(2) Within thirty days following receipt of the policyholder's written cancellation, the insurance company shall account for any and all payments made by the client in connection with the insurance contract in question.

(3) No waiver of the cancellation right of policyholders shall be considered valid.

(4) Unless otherwise provided for by law, the client's right of cancellation referred to in Subsection (1) shall not apply:

a) to life insurance policies tied to a credit or loan agreement for the purpose of credit protection, where the amount borrowed is repaid - in full or in part - as contracted from the amount of coverage fixed in the life insurance policy (credit life insurance);

b) to life insurance contracts concluded for a term of less than six months.

#### *47/A.2 Subsequent amendments of insurance contracts*

##### *Section 122/A<sup>3</sup>*

(1) In the event of any changes in the legal provisions on tax relief or tax credit available in connection with insurance contracts, after the conclusion of such contracts, the insurance company shall have the right to present a proposal within sixty days after the effective date of the legislative changes for the amendment of the insurance contract or the related standard contract terms so as to reflect changes in the legislative environment and to update the contract to bring the relevant terms in line with the conditions for claiming said tax relief or tax credit.

(2) In the absence of the policyholder's refusal to accept the amendment proposal within thirty days from the time of receipt of notice thereof, the contract shall be amended subject to the terms and conditions set out in the amendment proposal effective as of the time when the relevant legislative changes enter into force.

(3) In the notice referred to in Subsection (2) hereof, the insurance company shall inform the policyholder by way of the means provided for in Subsection (1) of Section 152 concerning the changes in the contract or in the standard contract terms.

(4) The policyholder's refusal to accept the amendment proposal shall not serve as grounds for termination of the contract by the insurance company.

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<sup>1</sup> Enters into force as amended under Point 4 of Section 67 of Act CLXII of 2015.

<sup>2</sup> Enters into force as under Section 31 of Act CLXII of 2015.

<sup>3</sup> Enters into force as under Section 31 of Act CLXII of 2015.

*48. Special provisions relating to the performance of insurance contracts**Section 123*



(1) In connection with the commitments arising from insurance contracts, insurance companies shall be authorized to provide compensation in the settlement of any insurance claim for the value added tax charged for services required for repairs or for eliminating the consequences of damages incurred (such as the costs of materials, repairs, renovations and other similar services subject to value added tax) if verified by invoice, and if the invoice indicates the amount of value added tax charged, or if it contains sufficient information for having the amount of value added tax calculated.

(2) The provisions of Subsection (1) shall also apply to settlements paid from the Compensation Fund.

*Section 123/A<sup>1</sup>*

(1) Insurance companies shall prepare claims handling information for losses listed under Part A) of Annex 1- covering all products or for a single product or a group of products - and shall make it available on its website at all times.

(2) The claims handling information shall, in particular, contain the following:

- a) claims reporting procedures available;
- b) settlement rules and deadlines;
-  c) potential ways of settlement of claims and loss adjustment, including where a settlement is reached by agreement;
-  d)<sup>2</sup> the methodology for the application of depreciation.

(3) Insurance companies are required, within fifteen days of receipt of documents which are deemed essential for settlement, or failing this within one month of the date when the injured party presented his claim for compensation, to:

- a) make a reasoned offer of compensation to the person entitled to insurance benefits in cases where the obligation of settlement and the extent of benefits have been quantified separately for each claim (including information as to interest); or
- b) provide a reasoned reply to the person entitled to insurance benefits to the points made in the claim for benefits in cases where the obligation of settlement is denied or has not been clearly determined, or the benefits have not been fully quantified.

(4) Having regard to the loss referred to in Subsection (1), where the insurance company offers to redeem annuities in a single payment, the insurance company shall at the same time provide information about the present value of the principal amount of the redemption value of the annuity, and the amount of redemption thus offered may not be lower than such value.

*Section 124*

(1) Insurance companies shall specify in the policy terms and conditions the type of documents they require for payment of settlement for losses and costs in connection with a claim upon the occurrence of an insured event.

<sup>1</sup> Enacted by Section 185 of Act CX of 2020, effective as of 26 June 2021.

<sup>2</sup> Enacted by Subsection (3) of Section 64 of Act CIX of 2023, effective as of 1 January 2024.

(2)<sup>1</sup> Insurance companies may demand, as a precondition for payment of settlement, documents which are deemed necessary to verify the occurrence of the insured event, or for determining the extent of compensation to be provided, and may not render the payment of settlement subject to the conclusion of any misdemeanor proceedings by final decision, and/or the conclusion of criminal proceedings - that may have been opened in connection with the insured event notified - by the court's final peremptory decision or definitive non-peremptory ruling, and to the resolution of the public prosecutor's office or the investigating authority adopted on conditional prosecutorial suspension or for the purpose of referring the case to mediation, and/or for the termination of the proceedings, that is not subject to further remedy that may have been opened in connection with the insured event notified.

#### *48/A.2 Specific provisions relating to life insurance policies with savings element*

##### *Section 124/A<sup>3</sup>*

(1) In the case of unit-linked life insurance policies with savings element, the insurance company shall invest:

a) at least 20 per cent of the premiums due and paid for the first year, minus risk premium,

b) at least 50 per cent of the premiums due and paid for the second year, minus risk premium,

c) at least 80 per cent of the premiums due and paid for the third and subsequent years, minus risk premium,

with the proviso that the proportionate deduction from the related provision need not be taken into consideration from the beginning of the fourth year for the purpose of compliance.

(2) If the policyholder exercises his residual rights, settlement shall be based at least on the invoiced value of the minimum investment ratios provided for in Subsection (1). In the settlement the costs incurred in connection with the client's instructions - other than those pertaining to the residual rights - may be enforced.

(3) In the case of life insurance policies with savings element other than unit-linked policies, if the policyholder exercises his residual rights, the cash surrender value shall be calculated based on the period of insurance cover from the beginning of the contract until the time of claiming residual rights, representing:

a) at least 20 per cent of the premiums due and paid for the first year, minus risk premium,

b) at least 50 per cent of the premiums due and paid for the second year, minus risk premium,


c) at least 80 per cent of the premiums due and paid for the third and subsequent years, minus risk premium.



#### *48/B.4 Specific rules of property insurance policies*



##### *Section 124/B<sup>5</sup>*

 Where a property insurance contract for a residential property is concluded for an indefinite period, the commission paid to the insurance intermediary may not exceed 20 per cent of the annual premium.

1 Amended by Paragraph b) of Section 483 of Act CXCVII of 2017.

2 Enacted by Section 155 of Act LIII of 2016, effective as of 1 January 2017.

3 Enacted by Section 155 of Act LIII of 2016, effective as of 1 January 2017.

4 Enacted by Subsection (4) of Section 64 of Act CIX of 2023, effective as of 1 January 2024.

5 Enacted by Subsection (4) of Section 64 of Act CIX of 2023, effective as of 1 January 2024.

*Section 124/C<sup>1</sup>*

(1) Where a property insurance contract for a residential property is concluded for an indefinite period the party to the insurance contract shall be given one additional opportunity to exit from the contract at no extra charge, beyond the annual insurance cycle, in March of each year, by way of notice delivered to the insurance company by 31 March.

(2) Insurance companies shall inform the policy holders of the opportunity to exit as referred to in Subsection (1) by 15 February each year.

*49. Capital guarantees and performance guarantees**Section 125*

(1) The name, investment policy and commercial communication of the managed fund, or the policy terms and conditions may contain any reference for guarantee to protect the capital invested and may undertake to guarantee the earnings (hereinafter referred to as “capital guarantee, performance guarantee”), where the guarantee is accompanied by appropriate guarantee arrangements.

(2) The performance guarantee incorporates a guarantee to preserve the capital invested, lacking any specific reference thereto.

(3) The guarantee shall be deemed appropriate if:

- a) provided by a credit institution, insurance company or reinsurance company;
- b) provided in the form of a commitment made in writing;
- c) the insurance company is able to seek payment directly from the provider of the guarantee, and is able to call such claim within a reasonable period of time;
- d) the amount of the guarantee is clearly defined in the currency of the life insurance policy and it is supported by appropriate calculations;
- e) the provider of the guarantee is not permitted to avoid its commitment relating to the insurance policies to which the capital and performance guarantee pertains;
- f) it covers the capital and/or performance guarantee in full; and
- g) the guarantee is recognized by and can be enforced before all relevant jurisdiction.

*50. Capital protection and yield protection**Section 126*

(1) The name, investment policy and commercial communication of the managed fund, or the policy terms and conditions may contain any reference to a pledge to protect the capital invested (capital protection) and may undertake to guarantee the earnings (yield protection), where yield and capital protection is supported by an adequate investment policy pertaining to financial instruments.

(2) The promise to pay dividends incorporates a pledge to preserve the capital invested, lacking any specific reference thereto.

*51. Rules of asset fund suspension**Section 127*

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1 Enacted by Subsection (4) of Section 64 of Act CIX of 2023, effective as of 1 January 2024.

(1) Insurance companies shall suspend the buying and selling of units of the managed fund connected to unit-linked life insurance policies (hereinafter referred to as "asset fund suspension") in the interest of the clients if the net asset value of the managed fund, and, consequently, the price of the investment units cannot be determined due to the fact that the assets of the managed fund have become illiquid in part or in whole. Insurance companies shall implement the asset fund suspension immediately upon gaining knowledge of the underlying circumstances with retroactive effect to the valuation date (hereinafter referred to as "opening date of asset fund suspension") before which the net asset value of the asset fund could have been determined for the last time.

(2) During the period of asset fund suspension client instructions (such as in particular conversion, regular withdrawals, partial repurchase) affecting the suspended asset base cannot be executed, with the exception where the premium is transferred from the suspended asset base. If the duration of suspension of the asset base exceeds thirty days, the insurance company shall send information in writing, by means which can be proved, within thirty-five days following the opening date of asset fund suspension to all contracting parties affected by the asset fund indicating that after the asset fund suspension is lifted the insurance company shall execute the above-specified client instructions if the client in question gives another order for the same transaction after the asset fund suspension is lifted. The insurance company shall give information without delay to the contracting parties who gave any transaction order during the period of suspension in connection with the client instructions relating to the suspended assets.

(3) If, under contract or as instructed by the client, the insurance company is required to invest the premium paid up into the suspended asset fund, the insurance company shall keep the premium in question separately, unless the contract stipulates or the client instructs otherwise. If - in the case provided for above - the duration of suspension of the asset base exceeds thirty days, the insurance company shall send information in writing, by means which can be proved, within thirty-five days following the opening date of asset fund suspension to the contracting parties affected indicating the name of the other - non-suspended - fund to which the premium received under separate accounts during the period of asset fund suspension will be transferred - unless otherwise instructed - following the forty-fifth day after the opening date of asset fund suspension.

(4) If the time predetermined in the contract is reached during the period of asset fund suspension (maturity), i.e. upon the occurrence of the insured event, or if the contract is repurchased in full, the insurance company shall determine the current balance of the contracting party's account irrespective of the investment units of the asset fund that has been suspended. In the cases provided for above, the insurance company shall - within fifteen days after the asset fund suspension is lifted, and if the condition described in Subsection (8) is not satisfied - pay the current value of the investment units of the asset fund calculated from the investment units of the asset fund shown on the contracting party's account at the first known price available after the asset fund suspension is lifted, or the amount calculated based on the relevant provisions of the repurchase contract.

(5) The asset fund suspension applies to any death (risk) benefit the insurance company is liable to pay inasmuch that the insurance company shall determine the current balance of the contracting party's account based on the last known price from before the asset fund suspension, and the insurance company shall continue to honor during the period of asset fund suspension its payment obligation stemming from the insurance contract at the value determined as per the above, however, such payment shall be limited at thirty million forints per insured person as regards the settlement due with respect to the investment units of the suspended fund. The insurance company shall - within fifteen days after the asset fund suspension is lifted - recalculate the amount of death (risk) benefit payable with respect to the investment units of the suspended fund at the first known price available after the asset fund suspension is lifted, and if this amount is higher than the amount paid previously, it shall pay the difference subsequently. If the condition described in Subsection (8) applies, the insurance company shall proceed to recalculate the benefit as explained above, and shall affect payment of the difference as part of the settlement described in Subsection (8).

(6) After the asset fund suspension is executed, before the suspension is lifted, and before the first known net asset value is established no insurance products or policies may be offered or sold, if such insurance products or policies are backed by suspended assets only.

(7)<sup>1</sup> The maximum duration of asset fund suspension is one year, which the insurance company may extend in justified cases by another year. The insurance company shall publish its decision on the extension on its website, in a manner sufficient to focus attention, fifteen days before the expiry of the period of asset fund suspension, and in its customer service centers, and shall, furthermore, send it to the Authority as well. The insurance company shall terminate the asset fund suspension without delay:

- a) upon the expiry of the period of asset fund suspension;
- b) upon gaining knowledge of the reason for asset fund suspension being eliminated; or
- c) if so ordered by the Authority by means of a resolution.

(8) If the asset fund suspension is lifted as under Subsection (7), the net asset value of the fund, and, consequently, the price of the investment units cannot be determined on account of the assets comprised in the asset fund being wholly or partly illiquid, the insurance company shall terminate the asset fund and shall settle accounts with the clients based on the market conditions prevailing at the time of termination.

(9) Within thirty days following the opening date of asset fund suspension, the insurance company shall - so as to ensure the principle of equal treatment among investors and to maintain the insurance company's other services tied to the asset fund on an ongoing basis - segregate illiquid assets from other, non-illiquid assets of the asset fund (brakes up the asset fund into successor asset funds comprising illiquid and non-illiquid assets (hereinafter referred to as "separation"), if not more than seventy-five per cent of the assets constituting the last known net asset value of the asset fund became illiquid. At the time of separation asset fund suspension shall be lifted with respect to the successor asset fund comprising non-illiquid assets, and it shall continue to operate as an independent asset fund. In the case of guaranteed asset funds, the asset fund shall be suspended on the whole, regardless of the share of illiquid assets. In that case, when the guarantee expires the insurance company shall settle accounts with the clients under the original terms and conditions.

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1 Amended by Section 207 of Act LXIX of 2017.

(10) In the case of separation, the assets which have become illiquid shall be maintained separately, functioning as an independent asset fund as well, in respect of which the asset fund suspension shall remain in effect in accordance with Subsections (1)-(8), with the proviso that the original opening date of asset fund suspension shall be construed as the opening date of asset fund suspension. Following separation the original asset fund shall cease to exist, where the investment units of the original asset fund shall be distributed - separately for each client - among successor asset funds comprising illiquid and non-illiquid assets in the percentage such illiquid and non-illiquid assets represent in the last known net asset value of the original asset fund. In connection with separation, a notice of separation shall be enclosed with the information to be provided in accordance with Subsections (2) and (3).

(11) In accordance with the provisions of this Section, the asset fund suspension and separation shall not terminate the contracting party's premium payment obligation and the insurance company's settlement payment obligation.

(12) Insurance companies shall inform the contracting parties by way of the means described in Subsection (13):

a) on the legal grounds and the reasons for asset fund suspension and separation, on their execution, on the opening date of suspension, on the consequences it has on the insurance contract and on the performance of such, including, in particular, any changes in investment risks concerning the clients, and the rules for the enforcement of the costs and fees; and

b) on the termination of asset fund suspension, including the reasons, and on the consequences it has on the insurance contract and on the performance of such.

(13)<sup>1</sup> The insurance company shall publish the information referred to in Subsection (12) on its website, in a manner sufficient to focus attention, at the time when the suspension and separation is carried out, and at the time when suspension is terminated, and in its customer service centers, and shall keep the information updated on a regular basis. The insurance company shall send the information to the Authority as well.

## *52. Rules applicable in the event of any error in the calculation of the net asset value of an asset fund*

### *Section 128*

(1) In the event of any error in the calculation of the net asset value of an asset fund, the erroneous net asset value shall be corrected at the time of the next assessment of net asset value with retroactive effect to the time when the error was made, if the error exceeds one thousandth of the net asset value of the asset fund. In the correction process the erroneous net asset value shall be adjusted as commensurate according to the error as established for each day for which the net asset value was calculated, and that was affected by the error. The adjusted net asset value shall be published.

(2) Any error in the market price or other information disclosed shall not be treated as an error if it cannot be attributed to the insurance company, portfolio manager or the depositary, provided that these persons have acted prudently and with reasonable care in calculating the net asset value.

(3) If the value of any investment units have been calculated on the basis of erroneous net asset value, the difference between the erroneous and the correct net asset value must be settled with the policyholder affected within thirty days from the date when the error was discovered, except if:

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<sup>1</sup> Amended by Section 207 of Act LXIX of 2017.



a) the difference between the price of one investment unit calculated based on the erroneous net asset value and the correct price is less than one thousandth of the price calculated based on the correct net asset value or the value stipulated in the asset fund's prospectus, if this is lower;

b) the amount to be settled on account of the difference in price calculated based on the erroneous and the correct net asset value is less than one thousand forints for each policyholder, or less than the amount stipulated in the asset fund's prospectus, if this is lower; or

c) the insurance company has decided - if an error has been detected in the calculation of net asset value - to remit the policyholder's repayment obligation in connection with the difference in the marketing price of the investment unit resulting from the adjustment of the error, where the insurance company, the portfolio manager or the depositary shall be liable to cover such difference for the asset fund.

### *53. Compulsory insurance cover*

#### *Section 129*

(1)<sup>1</sup> The obligation to obtain insurance cover can be prescribed in cases provided for by law, with regard to insurance contracts under classes of non-life insurance provided for in Part A) of Annex 1, to persons prescribed by law, as policyholders

(2) In compliance with the obligation to obtain insurance cover under Subsection (1), an insurance contract may be accepted if it meets the conditions set out in the act on the obligation to obtain insurance cover and the government decree adopted by authorization of such act pertaining to compulsory insurance cover.

(3)<sup>2</sup> If the insurance contract is terminated, the insurance company - unless the act or government decree laying down the conditions provided for in Subsection (2) provide otherwise - is required to notify the authority of competence and jurisdiction to monitor the policyholders' obligation to obtain insurance cover concerning the fact and the time of termination in writing, within fifteen days of the time of termination.

(4) The minister responsible for drafting the act on the obligation to obtain insurance cover shall notify the Authority on the contents and on the entry into force of the legislation on the obligation to obtain insurance cover.

## **CHAPTER IX**

### **RULES RELATING TO THE MARKETING OF INSURANCE PRODUCTS**

#### *54. Marketing of insurance products*

#### *Section 130*

(1) No special license is required for the marketing of insurance products.

(2) If an insurance product is offered through intermediaries and the insurance company detects any infringement in the methods of mediation, including the illegal conduct of an independent insurance intermediary who is involved in the marketing of an insurance product, the insurance company shall take immediate action to have the infringement eliminated.

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<sup>1</sup> Enters into force as amended under Point 5 of Section 67 of Act CLXII of 2015.

<sup>2</sup> Established by Section 149 of Act CXLV of 2017, effective as of 21 November 2017.

*Section 130/A<sup>1</sup>*

(1) Insurance companies shall always act honestly, fairly and professionally in accordance with the best interests of their clients.

(2) Insurance companies shall not make any arrangement - in particular by way of remuneration - that could provide an incentive to insurance distributors to recommend a particular insurance product to a client when the insurance distributor could offer a different insurance product which would better meet the client's needs.

*Section 131*

In the course of offering insurance products, it is forbidden to employ any method:

a) whereby any special advantage is promised to the deficit of other persons in exchange for having the insured or the contracting party pursue others to conclude the same or a similar insurance contract, or

b) that involves an investment on the part of the insured person or the contracting party that is to be recovered in part or in full from other persons targeted to conclude the same or a similar insurance contract,

c) that renders the purchase of the insurance product conditional upon entering a distribution scheme for remuneration.

*Section 131/A<sup>2</sup>*

(1) Insurance companies which develop and offer any insurance product for sale to clients, shall maintain and operate a process for the approval of each insurance product internally before it is marketed or distributed to clients, or for the review of existing insurance products already sold, and shall review it on a continuous basis and at least annually.

(2) The product approval process provided for in Subsection (1) shall be proportionate and appropriate to the nature of the insurance product, shall specify a product distribution strategy and an identified target market for each product, and shall ensure that all relevant risks are assessed. In that context, it shall be ensured that the intended distribution strategy is consistent with the identified target market, and take reasonable steps to ensure that the insurance product is distributed to the identified target market.

(3) The review referred to in Subsection (1) shall be carried out regularly and at least annually taking into account any event that could materially affect the potential risk to the identified target market, hence to assess at least whether the product remains consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate.

(4) Insurance companies which develop insurance products shall make available to insurance distributors all appropriate information on the insurance product and the product approval and review process, which are required for the insurance distribution activities, including information on the identified target market of the insurance product.

(5) Where an insurance distributor advises on, or proposes, insurance products which it does not develop, it shall be done in accordance with the information provided for in Subsection (4), and shall obtain such information from the insurance company.

(6) This Section shall not apply to insurance products which consist of the insurance of large risks.

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1 Enacted by Section 150 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Section 151 of Act CXLV of 2017, effective as of 23 February 2018.

(7) The provisions of this Section shall be applied in conjunction with the provisions adopted by the European Commission within the meaning of Article 25(2) of Directive 2016/97/EU of the European Parliament and of the Council.

### *55. Product strategy*

#### *Section 132*

(1) Insurance companies shall prepare a product strategy as provided for in Annex 3 for each product they wish to offer.

(2)<sup>1</sup> The product strategy shall be signed by the chief executive officer, the senior jurist and the senior actuary.

(3) In addition to what is contained in Subsection (2), the product strategy of the insurance products of insurance companies authorized to transact both non-life and life insurance business concurrently shall be signed also by the director of the class of insurance in question.

#### *Section 133*

(1)<sup>2</sup> The Governor of Magyar Nemzeti Bank (*National Bank of Hungary*) shall decree the highest permissible technical interest rate that can be used to calculate the premiums on life insurance, accident and sickness insurance (health insurance) policies as well as reserves and benefit payments.

(2) The highest permissible technical interest rate for the products referred to in Subsection (1), when offered by an insurance company established in a Member State by way of its branch or in the form of cross-border services, shall be governed by the regulations of the home Member State.

(3)<sup>3</sup> In the case of life insurance policies, premiums shall be sufficient, on reasonable actuarial assumptions, to enable life insurance companies to meet all their commitments arising out, of or in connection with, life insurance policies and, in particular, to establish adequate technical provisions.

(4)<sup>4</sup> In weighing up the premium calculation policy referred to in Subsection (3), all aspects of the financial situation of the life insurance company may be taken into account, without the input from resources other than premiums and income earned thereon being systematic and permanent in a way that it may jeopardize the solvency of the company concerned in the long term.

### *56. Non-discrimination on the basis of sex*

#### *Section 134*

(1) The following actions of insurance companies shall not be construed as a violation of the principle of gender equality defined in Act CXXV of 2003 on Equal Treatment and the Promotion of Equal Opportunity (hereinafter referred to as "ETOA") based on sex, if the insurance company processes, stores and uses data related to sex solely for the purpose of:

- a) provisioning;
- b) internal pricing in connection with monitoring the composition of the insurance company's financial assets from an aggregate pricing perspective;
- c) pricing reinsurance contracts;

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1 Amended by Paragraph d) of Subsection (2) of Section 89 of Act CXXXVI of 2017.

2 Enters into force as amended under Point 6 of Section 67 of Act CLXII of 2015.

3 Enters into force as under Section 32 of Act CLXII of 2015.

4 Enters into force as under Section 32 of Act CLXII of 2015.

d) commercial and other advertising activities defined in the Act on the Basic Requirements and Certain Restrictions of Commercial Advertising Activities;

e) risk assessment in connection with life, accident and health insurance policies.

(2) In addition to what is contained in Subsection (1), discrimination based on sex shall not be construed to violate the principle of equal treatment:

a) in the case of discrimination - which may be connected to sex - based on reasonable grounds that can be independently assessed relying on true distinction, if assessed objectively, and connected directly to the given contractual relationship;

b) where preferential treatment is provided - relative to Section 30/A of the ETOA - to any client or client group, if it does not constitute unlawful discrimination vis-à-vis other person or persons in a situation comparable to that of specified clients or client groups;

c) where access to certain products is refused to members of one sex, if the insurance company provides the product in question exclusively or primarily to members of one sex where this is objectively justified by a legitimate aim and the means of achieving that aim are appropriate and necessary.

*56/A.1 Continuing professional training and development of managers of insurance and reinsurance companies responsible for distribution operations, and the contributors of insurance and reinsurance companies corresponding to the products they distribute*

#### *Section 134/A<sup>2</sup>*

(1) Managers of insurance and reinsurance companies responsible for distribution operations, and their contributors shall possess appropriate knowledge and ability corresponding to the role they perform and the products they distribute. Moreover, they shall be required to update that knowledge and to improve their expertise to reflect the latest developments.

(2) In order to meet the requirement set out in Subsection (1), the persons therein referred to shall attend at least fifteen hours of professional training or development per year, taking into account the nature of the products sold (in the case of managers responsible for distribution operations the products of the insurance or reinsurance company), or planned to be sold in the future, based on the knowledge and competence requirements laid down in Annex 7.

(3) Persons who became contributors or managers under Subsection (1) during the second half of the year, and they are yet to fulfill the requirement set out in Subsection (2) in that year, shall attend at least seven and half hours of professional training or development that year in total.

(4)<sup>3</sup> Continuing training and development under Subsection (2) should be ensured and could encompass various - at least two - types of facilitated learning opportunities including advanced training courses requiring physical presence, e-learning and mentoring, or participating in full-day professional conferences, with the proviso that participation in a full-day of professional conference shall be considered equal to five hours of regular and/or advanced training.

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1 Enacted by Section 152 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Section 152 of Act CXLV of 2017, effective as of 23 February 2018.

3 Amended by Point 5 of Section 181 of Act CXXVI of 2018.

(5) The continuing training and development referred to in Subsection (2) may be provided by the insurance or reinsurance company that employs the person referred to in Subsection (1), or they may hire a specialized vocational institution that offers training courses for the professional qualifications referred to in Annex 9, or an organization that offers official training programs culminating in an examination for obtaining the official certificate provided for in the Decree on the Requirements Relating to Training Intermediaries of Financial Services, Insurance Intermediaries and Capital Market Sales Representatives, and on Official Examination.

(6) The employer insurance or reinsurance company shall arrange for the continuing training and development of the persons referred to in Subsection (1) - subject to the obligation of continuing professional training and/or development - so as to ensure that they receive professional training before such persons begin to offer new or revised insurance products.

(7) The insurance or reinsurance company that employs the person referred to in Subsection (1) shall keep records of attendance in the continuing professional training and development, and shall verify - by means of registration documents - such participation to the Authority in supervisory control proceedings.

(8) Insurance and reinsurance companies shall have in place appropriate internal procedures for the implementation of requirements set out in this Section and in Subsection (1) of Section 75/A, and a filing system for the related documents, and shall review such procedures and systems regularly and at least annually, and shall assign such duties to certain functions and shall disclose the name of the person responsible for such function to the Authority upon request.

## CHAPTER X

### PROVISIONS RELATING TO CONFIDENTIALITY

#### *57. Insurance secrets*

##### *Section 135*

(1)<sup>1</sup> Insurance and reinsurance companies shall be allowed to process the data of clients which are considered insurance secrets only to the extent that they relate to the relevant insurance contract, with its creation and registration, and to the service. Processing of such data shall take place only to the extent necessary for the conclusion, amendment and maintenance of the insurance contract and for the evaluation of claims arising from the contract or for any other purpose specified in this Act.

(2) Insurance and reinsurance companies shall obtain the data subject's prior consent for processing data for purposes other than what is contained in Subsection (1). The client shall not suffer any disadvantage if the consent is not granted, nor shall any advantage shall be given if it is granted.

(3) Unless otherwise provided for by law, the owners, directors and employees of insurance and reinsurance companies, and all other persons having access to insurance secrets in any way or form during their activities in reinsurance-related matters shall be subject to the obligation of professional secrecy without any time limitation.

##### *Section 136<sup>2</sup>*

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<sup>1</sup> Enters into force as amended under Point 7 of Section 67 of Act CLXII of 2015.

<sup>2</sup> Amended by Paragraph a) of Section 138 of Act XXXIV of 2019.

According to the Act on the Processing and Protection of Personal Data in the Field of Medicine (hereinafter referred to as "PDFM"), insurance companies shall be authorized to process any data pertaining to the medical condition of clients only for the reasons set out in Subsection (1) of Section 135 and only in possession of the express consent of the data subject.

### Section 137

Insurance secrets may only be disclosed to third parties:

a) under the express prior written consent of the insurance or reinsurance company's client to whom they pertain, and this consent shall precisely specify the insurance secrets that may be disclosed;

b) if there is no obligation of professional secrecy under this Act;

→ c)<sup>1</sup> if the certification body, including its subcontractor, hired by an insurance or reinsurance company, received such confidential information in carrying out the certification process;

→ d)<sup>2</sup> so facilitated by the insurance company's interests for selling its receivables due from the client or for enforcement of its claims.

### Section 138

(1)<sup>3</sup> The requirement of confidentiality concerning insurance secrets shall not apply to:

a) the Authority in exercising its designated functions;

→ b)<sup>4</sup> the body conducting preliminary proceedings, the investigating authority, the public prosecutor's office and the police and the Nemzeti Adó- és Vámhivatal (*National Tax and Customs Authority*) when acting in the capacity of misdemeanor authority;

c)<sup>5</sup> the court of law in connection with criminal cases, civil actions or non-contentious proceedings, and administrative actions, including the experts appointed by the court, and the independent court bailiff, the administrator acting in bankruptcy proceedings, the temporary administrator, extraordinary administrator, liquidator acting in liquidation proceedings in connection with a case of judicial enforcement, the principal creditor in debt consolidation procedures of natural persons, the Családi Csődvédelmi Szolgálat (*Family Bankruptcy Protection Service*), the family administrator, the court;

d) notaries public, including the experts they have appointed, in connection with probate cases;

e) the tax authority in the cases referred to in Subsection (2);

f) the national security service in exercising its designated functions;

g) the Gazdasági Versenyhivatal (*Hungarian Competition Authority*) in exercising its designated functions;

h) the guardian authority in exercising its designated functions;

i) the government body in charge of the healthcare system in the case defined in Subsection (2) of Section 108 of Act CLIV of 1997 on Health Care;

j)<sup>6</sup> bodies authorized to conduct covert information gathering operations if the conditions prescribed in specific other act are provided for;

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1 Enacted by Section 45 of Act CLXXXII of 2016, effective as of 28 December 2016.

2 Enacted by Section 68 of Act LXXVI of 2023, effective as of 1 January 2024.

3 Amended by Paragraphs a)-b) of Subsection (2) of Section 49 of Act XLIX of 2017, Paragraph d) of Section 483 of Act CXCVII of 2017.

4 Established by Subsection (1) of Section 69 of Act LXXVI of 2023, effective as of 1 January 2024.

5 Enters into force as under Section 127 of Act CV of 2015. Amended by Point 7 of Section 484 of Act L of 2017.

6 Amended by Paragraph a) of Section 484 of Act CXCVII of 2017.

k)<sup>1</sup> providers of reinsurance, other members of the group and providers of co-insurance, where applicable;

l)<sup>2</sup> the bureau of insurance policy records maintaining the central policy records with respect to data transmitted as governed by law, the claims records agency keeping accident and claims records, the traffic control authority in connection with road transport administrative actions relating to vehicles which are not listed in the motor vehicle registry, and the body operating the register of motor vehicles;

m) the receiving insurance company with respect to insurance contracts conveyed under a portfolio transfer arrangement, as provided for by the relevant agreement;

n) with respect to the information required for settlement and for the enforcement of compensation claims, and also for the conveyance of these among one another, the body operating the Compensation Fund and/or the Claims Guarantee Fund, the National Bureau, the correspondent, the Information Center, the Claims Organization, claims representatives and claims adjustment representatives, or the responsible party if wishing to access - in exercising the right of self-determination - the particulars of the other vehicle that was involved in the accident from the accident report for the purpose of settlement;


o)<sup>3</sup> the outsourcing service provider with respect to data supplied under outsourcing contracts, and the auditor with respect to data required for carrying out the audits;

p) third-country insurance companies and insurance intermediaries in respect of their branches, if they are able to satisfy the requirements prescribed by Hungarian law in connection with the management of each datum and the country in which the third-country insurance company is established has regulations on data protection that conform to the requirements prescribed by Hungarian law;

q) the commissioner of fundamental rights in exercising its designated functions;

r) the Nemzeti Adatvédelmi és Információszabadság Hatóság (*National Authority for Data Protection and Freedom of Information*) in exercising its designated functions;

s) the insurance company in respect of the bonus-malus system and the bonus-malus rating, and the claims record and the bonus-malus rating in the cases specified in the decree on the detailed rules for the verification of casualties;

 t)<sup>4</sup> the agricultural damage survey body, the agricultural administration body, the agricultural damage compensation body, and the institution delegated to conduct economic assessments under the supervision of the ministry directed by the minister in charge of the agricultural sector in respect of insured persons whom are parties to agricultural insurance contracts concluded for standing crops;

u)<sup>5</sup> the authority maintaining a register of liquidator companies;

v)<sup>6</sup> MABISZ in connection with gathering data provided through the e-claim platform provided for in the MVI with respect to operating the e-claim reporting application, for collecting information relevant to the insured event and forwarding such information to the insurance companies for the purpose of settlement;

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1 Amended by Point 11 of Subsection (1) of Section 175 of Act LIII of 2016.

2 Established by Subsection (1) of Section 156 of Act LIII of 2016. Amended by Section 123 of Act CIV of 2016.

3 Enters into force as under Subsection (1) of Section 33 of Act CLXII of 2015.

4 Established by Subsection (2) of Section 69 of Act LXXVI of 2023, effective as of 1 January 2024.

5 Enacted by Subsection (1) of Section 49 of Act XLIX of 2017, effective as of 1 July 2017.

6 Enacted by Section 186 of Act CX of 2020, effective as of 26 December 2020.

upon receipt of a data request, and/or written inquiry from a body or person referred to in Paragraphs *a)-j)*, *n)*, *s)*, *t)* and *u)* indicating the name of the client or the description of the insurance contract, the type of data requested and the purpose of and the grounds for requesting data, with the exception that the bodies or persons referred to in Paragraphs *p)-s)* are required to indicate only the type of data requested and the purpose and grounds for requesting it. An indication of the statutory provision granting authorization for requesting data shall be treated as verification of the purpose and legal grounds.<sup>1</sup>

(2) Pursuant to Paragraph *e)* of Subsection (1), there shall be no confidentiality obligation concerning insurance secrets in connection with tax matters where the insurance company is required by law to disclose specific information to the tax authority upon request and/or to disclose data concerning any payment made under an insurance contract that is subject to tax liability.

(2a)<sup>2</sup> The obligation of confidentiality concerning insurance secrets shall not apply to financial institutions provided for in the CIFE in connection with insurance contracts linked to claims arising out of financial services, if the financial institution makes a written request to the insurance company indicating the name of the client or the description of the insurance contract, the type of data requested and the purpose for requesting it.

(3) The disclosure made by an insurance company to the tax authority in compliance with the obligation prescribed in Sections 43/B-43/C of Act XXXVII of 2013 on International Administrative Cooperation in Matters of Taxation and Other Compulsory Payments (hereinafter referred to as "IACA") in accordance with Act XIX of 2014 on the Promulgation of the Agreement between the Government of Hungary and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA, and on the Amendment of Certain Related Acts (hereinafter referred to as "FATCA Act") shall not be construed as violation of insurance secrets.

(3a)<sup>3</sup> The disclosure made by an insurance company to the tax authority in compliance with the obligation prescribed in Section 43/H of the IACA, and under Sections 43/B and 43/C of the IACA in accordance with the FATCA Act shall not be construed as violation of insurance secrets.

(4)<sup>4</sup> Insurance and reinsurance companies shall be authorized to disclose the personal data of clients in the cases and to the agencies indicated in Subsections (1) and (6) hereof and in Sections 137, 140 and 141.

(5) The confidentiality requirement shall apply to the employees of the agencies specified in Subsection (1) beyond the framework of their official capacity.

(6)<sup>5</sup> Insurance and reinsurance companies shall be required to supply information forthwith where so requested in writing by the body conducting preliminary proceedings, the investigating authority, the public prosecutor's office and the court, including data requests, if there is any suspicion that an insurance transaction is associated with:

*a)* misuse of narcotic drugs, illegal possession of new psychoactive substances, acts of terrorism, criminal misuse of explosives or blasting agents, criminal misuse of firearms and ammunition, money laundering, or any felony offense committed in criminal conspiracy or within the framework of a criminal organization under Act IV of 1978 in force until 30 June 2013,

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1 Amended by Point 10 of Subsection (1) of Section 175 of Act LIII of 2016.

2 Enters into force as under Subsection (2) of Section 33 of Act CLXII of 2015. Amended by Point 12 of Subsection (1) of Section 175 of Act LIII of 2016.

3 Enacted by Section 20 of Act CXCVII of 2015, effective as of 2 January 2016.

4 Amended by Point 13 of Subsection (1) of Section 175 of Act LIII of 2016.

5 Amended by Paragraph *e)* of Section 483 of Act CXCVII of 2017.



b) unlawful drug trafficking, possession of narcotic drugs, inciting substance abuse, aiding in the manufacture or production of narcotic drugs, illegal possession of new psychoactive substances, acts of terrorism, failure to report a terrorist act, terrorist financing, criminal misuse of explosives or blasting agents, criminal misuse of firearms and ammunition, money laundering, or any felony offense committed in criminal conspiracy or within the framework of a criminal organization under the Criminal Code.

(7)<sup>1</sup> The obligation of confidentiality concerning insurance secrets shall not apply where an insurance or reinsurance company complies with the obligation of notification prescribed in the Act on the Implementation of Restrictive Measures Imposed by the European Union and the UN Security Council Relating to Liquid Assets and Other Financial Interests.

(8) The disclosure of the group examination report to the dominating member of the financial group during the supervisory oversight proceedings in the case of group supervision shall not constitute a breach of confidentiality concerning insurance secrets and trade secrets.

(9)<sup>2</sup> The disclosure of information provided in compliance with Section 164/B shall not be construed a breach of insurance secrets.

### *Section 139*

The obligation to keep insurance secrets shall not apply when:

a) a Hungarian law enforcement agency makes a written request for information - that is considered insurance secret - in order to fulfill the written requests made by a foreign law enforcement agency pursuant to an international agreement;

b)<sup>3</sup> the national financial intelligence unit makes a written request for information - that is considered insurance secret - from an insurance company acting within its powers conferred under Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing or in order to fulfill the written requests made by a foreign financial intelligence unit, and in connection with the insurance or reinsurance company fulfilling its obligation relating to policies and procedures at the group level for combating money laundering and terrorist financing.

### *Section 140*

(1) It shall not constitute a violation of professional secrecy where an insurance or reinsurance company supplies information to a third-country insurance or reinsurance company or a third-country data processing agency:

a) if the client to whom such information pertains (hereinafter referred to as "data subject") has given his prior written consent, or

b)<sup>4</sup> if - in the absence of the data subject's consent - the data transfer is made in compliance with the provisions applicable to the transfer of personal data to third countries.

(2) The provisions governing data disclosure within the domestic territory shall be observed when sending data that is treated as an insurance secret to another Member State.

### *Section 141*

(1) The following shall not be construed a breach of insurance secrecy:

a) the disclosure of data compilations from which the clients' personal or business data cannot be identified;

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1 Amended by Subsection (9) of Section 22 of Act LII of 2017.

2 Enacted by Section 153 of Act CXLV of 2017, effective as of 21 November 2017.

3 Established by Section 137 of Act XXXIV of 2019, effective as of 26 April 2019.

4 Amended by Paragraph b) of Section 138 of Act XXXIV of 2019.

b) in respect of branches, transfer of data for the purpose of supervisory activities to the supervisory authority of the country where the registered address (main office) of the foreign-registered company is located, if such transfer is in compliance with the agreement between the Hungarian and the foreign supervisory authorities;

c) disclosure of information, other than personal data, to the minister for legislative purposes and in connection with the completion of impact assessments;

d) the disclosure of data in order to comply with the provisions contained in the Act on the Supplementary Supervision of Financial Conglomerates.

(2) Insurance and reinsurance companies may not refuse to disclose the data specified in Subsection (1) on the grounds of protection of insurance secrets.

### Section 142

(1)<sup>1</sup> The personal data indicated in the data transfer records, and the data treated as special data or personal data from the criminal records shall be deleted, respectively, after five years and twenty years following the date of disclosure.

(2) The insurance or reinsurance company shall not be authorized to notify the data subject when data is disclosed pursuant to Paragraphs b), f) and j) of Subsection (1) of Section 138 or Subsection (6) of Section 138.

(3) Insurance and reinsurance companies shall be entitled to process personal data during the life of the insurance or reinsurance contract or other contractual relation, and as long as any claim can be asserted in connection with the insurance, reinsurance or contractual relation.

### Section 143

(1) Insurance and reinsurance companies shall be entitled to process personal data relating to any unconcluded insurance or reinsurance contract as long as any claim can be asserted in connection with the failure of the contract.

(2) Insurance and reinsurance companies shall be required to delete all personal data relating to their current or former clients or to any frustrated contract in connection with which the data in question is no longer required, or the data subject has not given consent, or if it is lacking the legal grounds for processing such data.

(3) Within the meaning of this Act, the processing of data related to deceased persons shall be governed by the statutory provision on the processing of personal data.

(4) The rights of a deceased person in terms of data processing may be exercised by the heir or by the person named as the beneficiary in the insurance contract.

(5)<sup>2</sup> Up to the date of gaining knowledge of the conclusion of probate proceedings by final decision, insurance companies shall be entitled:

a) to disclose data in connection with the property insurance of a deceased policyholder, solely in the interest of keeping the relevant insurance contract alive by the payment of premium on the existence of the insurance contract, the number of the insurance policy, standard contract terms and conditions, premium balance, the amount of any premium owed, the anniversary of the contract to the close relative of the deceased policyholder or the holder of the asset,

b) to disclose information for a credit life insurance contract and in connection with any insurance contract where a credit institution is shown as the beneficiary and the deceased person is shown as the insured party, solely for reporting claims to the insurance company and for supplying the insurance company with information necessary for settlement on the existence of the insurance contract, the number of the insurance policy, and the standard contract terms and conditions to the close relative of the deceased policyholder,

upon written request, subject to documentary proof of the applicant's such capacity.

<sup>1</sup> Amended by Paragraph c) of Section 138 of Act XXXIV of 2019.

<sup>2</sup> Established by Subsection (1) of Section 29 of Act LXIX of 2022, effective as of 1 January 2023.

(6)<sup>1</sup> Said disclosure of information in accordance with Subsection (5) to the close relative and/or the asset holder shall not be construed as violation of insurance secrets. Insurance companies shall be allowed to process the applicant's personal data for a period of five years after the time of disclosure, or - if the period provided for in Subsection (3) of Section 142 is longer - for the period specified in Subsection (3) of Section 142.

*58. Trade secrets of insurance companies and reinsurance companies*

*Section 144*

Insurance and reinsurance companies and their owners, any proposed acquirer of a share in an insurance or reinsurance company, as well as the senior executives, non-management officers and employees, agents of insurance or reinsurance companies shall keep any trade secrets made known to them in connection with the operation of the insurance or reinsurance company confidential without any time limitation.

*Section 145*

(1) The obligation of confidentiality prescribed in Section 144 shall not apply to the following in exercising their designated functions:

- a) the Authority;
- b) the national security service;
- c) the Állami Számvevőszék (*State Audit Office*);
- d) the Gazdasági Versenyhivatal (*Hungarian Competition Authority*);
- e) the internal oversight agency tasked by the Government, which controls the legality and propriety of the use of central budget funds;
- f) property administrators;
- g) the Információs Központ (*Information Center*);
- h) the agricultural damage survey body, the agricultural damage compensation body, the agricultural administration body, and the institution delegated to conduct economic assessments under the supervision of the ministry directed by the minister in charge of the agricultural sector in respect of insured persons claiming any aid for the payment of agricultural insurance premiums.

(2) The disclosure made by an insurance company to the tax authority in compliance with the obligation prescribed in Sections 43/B-43/C of the IACA in accordance with the FATCA Act shall not be construed as violation of trade secrets.

(3) The disclosure of information by the Authority to the European Insurance and Occupational Pensions Authority (hereinafter referred to as "EIOPA") as provided for in Regulation (EU) No. 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/79/EC (hereinafter referred to as "Regulation 1094/2010/EU") shall not be construed as violation of trade secrets.

(4) The obligation of confidentiality prescribed in Section 144 shall not apply to:

- a)<sup>2</sup> the investigating authority and the public prosecutor's office;
- b)<sup>3</sup> the court of law in connection with criminal cases, civil actions or non-contentious proceedings, and administrative actions, including the experts appointed by the court, and the independent court bailiff in connection with a case of judicial enforcement, and to the court in local government debt consolidation procedures.

1 Enacted by Subsection (2) of Section 29 of Act LXIX of 2022, effective as of 1 January 2023.

2 Amended by Paragraph b) of Section 484 of Act CXCVII of 2017.

3 Amended by Point 7 of Section 484 of Act L of 2017.

(5) The disclosure of information by the Authority to the minister in charge of the money, capital and insurance markets on insurance and reinsurance companies, enabling individual identification, for legislative purposes and in connection with the completion of impact assessments shall not be construed a breach of trade secrecy.

(6) The disclosure of information by the Information Center in an official capacity shall not be construed a breach of trade secrecy.

#### *Section 146*

(1) The person acquiring any trade secrets shall keep them confidential without any time limitation.

(2) By virtue of the obligation of secrecy, no facts, information, know-how or data within the sphere of trade secrets may be disclosed to third parties beyond the scope defined in this Act without the consent of the insurance or reinsurance company, or the client, concerned, or used beyond the scope of official responsibilities.

(3) The person acquiring any trade secrets may not use such for his own benefit or for the benefit of a third person, whether directly or indirectly, or to cause any disadvantage to the insurance or reinsurance company affected, or its clients.

#### *59. Common provisions relating to insurance secrets and trade secrets*

#### *Section 147*

(1) In the event of dissolution of an insurance or reinsurance company without succession, the business documents managed by the insurance or reinsurance company and the documents containing trade secrets may be used for archival research conducted after sixty years of their origin.

(2)<sup>1</sup> Any information that is declared to be information of public interest or public information, and as such is rendered subject to disclosure may not be withheld on the grounds of being treated as a trade secret or insurance secret.

(3)<sup>2</sup> Other issues relating to insurance secrets and trade secrets shall be governed by the relevant provisions of the Civil Code and Act LIV of 2018 on the Protection of Business Secrets.

#### *Section 147/A<sup>3</sup>*

(1) The insurance company shall be given access to the data received in accordance with Section 164/B of the CIFE to the extent necessary for the provision of services within its sphere of activity, and shall be allowed to process such data during the time period for setting up and during the existence of the client relationship, provided that data transfer had not been restricted or prohibited by the client as provided for in Subsection (2).

(2) The customer of an insurance company controlled in accordance with the CIFE by a credit institution shall be entitled to restrict or prohibit data transfer under Subsection (2) of Section 164/B of the CIFE by means of an explicit statement.

(3) Before entering into a contract with the customer, the insurance company controlled in accordance with the CIFE by a credit institution shall inform the customer- by means which can be proved - about the possibility of data sharing in accordance with Section 164/B of the CIFE. To that end, the customer shall be clearly advised in writing of his right to restrict or prohibit the possibility of processing his personal data under this Section at any time.

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<sup>1</sup> Amended by Section 139 of Act XXXIV of 2019.

<sup>2</sup> Amended by Section 41 of Act LIV of 2018.

<sup>3</sup> Enacted by Section 154 of Act CXLV of 2017, effective as of 21 November 2017.

*60. Obligations under the FATCA Act**Section 148*

(1)<sup>1</sup> The Reporting Hungarian Financial Institution provided for in the FATCA Act and covered also by this Act (for the purposes of this Subtitle hereinafter referred to as "Institution") shall carry out the procedures set out in Annex 1 to the Agreement under the FATCA Act (for the purposes of this Subtitle hereinafter referred to as "due diligence procedure") for identifying the Account Holder and Entity covered by the FATCA Act (for the purposes of this Subtitle hereinafter referred to collectively as "Account Holder") having regard to the Financial Account it maintains as provided for in the FATCA Act.

(2) The Institution shall inform the Account Holder in writing at the time when carrying out the due diligence procedure:

- a) on the implementation of the due diligence procedure,
- b) that he is obligated to disclose data to the tax authority under Sections 43/B-43/C of the IACA,
- c) on his reporting obligation under the FATCA Act.

(3) Where data disclosure is provided for in Sections 43/B-43/C of the IACA, the Institution shall notify in writing the Account Holder on the fact of disclosure within thirty days from the date of compliance with disclosure requirements.

*60/A.2 Obligations under reporting and due diligence rules for financial account information**Section 148/A<sup>3</sup>*

(1) The Reporting Hungarian Financial Institution provided for in the IACA and covered also by this Act (for the purposes of this Subtitle hereinafter referred to as "Institution") shall carry out the procedures set out in Points II-VII of Annex 1 to the IACA (for the purposes of this Subtitle hereinafter referred to as "due diligence procedure") for identifying the Account Holder and Entity covered by the IACA Act (for the purposes of this Subtitle hereinafter referred to collectively as "Account Holder") having regard to the Financial Account it maintains as provided for in Point VIII/C of Annex 1 to the IACA.

(2)<sup>4</sup> The Institution shall inform the Account Holder in the form of notice posted in the customer area of its premises or - if possible - by way of electronic means at the time when carrying out the due diligence procedure:

- a) on the implementation of the due diligence procedure,
- b) that he is obligated to disclose data to the tax authority under Section 43/H of the IACA.

(3) Where data disclosure is provided for in Sections 43/H of the IACA, the Institution shall notify - if possible by way of electronic means - in writing the Account Holder on the fact of disclosure within thirty days from the date of compliance with disclosure requirements.

*61. Data disclosures made for the purpose of protection of risk groups*

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1 Established by Section 21 of Act CXCI of 2015, effective as of 2 January 2016.

2 Enacted by Section 22 of Act CXCI of 2015, effective as of 2 January 2016.

3 Enacted by Section 22 of Act CXCI of 2015, effective as of 2 January 2016.

4 Amended by Paragraph b) of Section 206 of Act LXIX of 2017.

*Section 149*

(1) In discharging the obligations delegated by law, or fulfilling their contractual commitments, in order to provide services in compliance with the relevant legislation or as contracted, and to prevent insurance fraud, insurance companies (in the application of this Section hereinafter referred to as "requesting insurance company") shall - in order to protect the interest of risk groups - have the right to make a request to another insurance company (in the application of this Section hereinafter referred to as "requested insurance company") with respect to data processed by this insurance company and referred to in Subsections (3)-(6) hereof in accordance with Subsection (1) of Section 135, taking into account the unique characteristics of insurance products affected, provided that the requesting insurance company's right thereof is stipulated in the insurance contract.

(2) The requested insurance company shall make available to the requesting insurance company the data requested in due compliance with the law, inside the time limit specified in the request, or failing this, within fifteen days from the date of receipt of the request.

(3) The requesting insurance company may request the following data in connection with the performance of contracts under the branches referred to in Points 1 and 2 of Part A) of Annex 1, and also in Annex 2:

a) the identification data of the policyholder, the insured person and the beneficiary;

b) information relating to the state of health at the time of recording of the insured person in connection with the risk covered;

c) information concerning the insurance history of the persons referred to in Paragraph a), listing previous settlements under the branch to which this Subsection pertains;

d) information relating to the assessment of risk in connection with any policy provided by the requested insurance company; and

e) information for verifying the legal grounds for a settlement to be paid in connection with any policy provided by the requested insurance company.

(4) The requesting insurance company may request the following data in connection with the performance of contracts under the branches referred to in Points 3-9 and 14-18 of Part A) of Annex 1:

a) the identification data of the policyholder, the insured person, the beneficiary and the injured party;

b) information for the identification of property and assets, claims or rights insured;

c) information concerning previous settlements relating to the property and assets, claims or rights referred to in Paragraph b);

d) information relating to the assessment of risk in connection with any policy provided by the requested insurance company; and

e) information for verifying the legal grounds for a settlement to be paid in connection with any policy provided by the requested insurance company.

(5)<sup>1</sup> The requesting insurance company may request the following data in connection with the performance of contracts under the branches referred to in Points 10-13 of Part A) of Annex 1:

a) subject to the injured party's prior consent, the identification data of the injured party;

b) the identification data of the policyholder, the insured person, the beneficiary, and the data referred to in Paragraphs b)-e) of Subsection (4);

c) subject to the injured party's prior consent, information relating to the state of health at the time of recording of any person seeking settlement for personal injury or restitution for any violation of personality rights, in connection with the risk covered;

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1 Enters into force as under Section 34 of Act CLXII of 2015.

d) information, with all personal data removed, concerning the insurance history related to the damaged property or asset, listing previous settlements under the branch to which this Subsection pertains;

e) subject to the injured party's prior consent, information concerning the insurance history of the persons seeking settlement for personal injury or restitution for any violation of rights relating to personality, listing previous settlements under the branch to which this Subsection pertains.

(6) The requesting insurance company may request the information in connection with the performance of contracts under the branches referred to in Points 3 and 10 of Part A) of Annex 1, based on the vehicle's identification data (registration plate number, chassis number), with or without the injured party's prior consent relating to losses under the branch referred to in Point 10 of Part A) of Annex 1:

a) information concerning the insurance history related to the vehicle in question, such as in particular the dates when the losses occurred, the legal basis, how the vehicle was damaged and information as to the settlement for covering such losses, including the damages sustained by the motor vehicle indicated by the requesting insurance company, caused by means other than a motor vehicle;

b) the findings of the assessment of damages performed by the insurance company on the vehicle in question, and the amount of damages.

(7) The request made according to Subsection (1) shall contain the information necessary for the identification of the person, property or right defined therein, it shall specify the type of data requested and the purpose of the request. Making a request and complying with one shall not be construed a breach of insurance secrecy. The responsibility for ascertaining that the request is legitimate as provided for under Subsection (1) lies with the requesting insurance company.

(8) The requesting insurance company shall be allowed to process data obtained through the request for a period of ninety days from the date of receipt.

(9) If the data obtained by the requesting insurance company through the request is necessary for the enforcement of that insurance company's lawful interest, the time limit specified in Subsection (8) for data processing shall be extended until the conclusion of the procedure opened for the enforcement of such claim.

(10) If the data obtained by the requesting insurance company through the request for the enforcement of that insurance company's lawful interest, and the procedure for the enforcement of such claim is not opened inside a period of one year after the data is received, such data may be processed for a period of one year from the date of receipt.

(11) The requesting insurance company shall inform the client affected by the request concerning the request made according to Subsection (1) and also if the request is satisfied, on the data to which it pertains, at least once during the period of insurance cover.

(12)<sup>1</sup> If the client requests access to his or her personal data and the requesting insurance company no longer has - having regard to Subsections (8)-(10) - the data to which the request pertains, the client shall be informed thereof.

(13) The requesting insurance company shall not be allowed to connect the data obtained through the request relating to an interest insured, with data it has obtained or processed, for purposes other than those provided for in Subsection (1).

(14) The requested insurance company shall be responsible for the correctness and relevance of the data indicated in the request.

### Section 150

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1 Amended by Paragraph d) of Section 138 of Act XXXIV of 2019.

(1) In connection with the contracts under the branches referred to in Points 3-6 of Part A) of Annex 1, with respect to insurance contracts, in order to protect the interest of risk groups and in order to provide services in compliance with the relevant legislation or as contracted, and to prevent insurance fraud, insurance companies may set up a common database (hereinafter referred to as "Database") containing:

- a) the identification data of the policyholder;
- b) the particulars of the insured property;
- c) information concerning the insurance history related to the policyholder or the property referred to in Paragraphs a) and b), respectively, listing previous settlements; and
- d) the name of the insurance company and the policy number.

(2) Insurance companies shall send the data defined in Subsection (1) to the Database within thirty days from the date of origin of the data in question.

(3) In order to protect the interest of risk groups, in discharging the obligations delegated by law or fulfilling their contractual commitments and in order to provide services in compliance with the relevant legislation or as contracted, and to prevent insurance fraud, insurance companies may request data from the Database.

(4) If the request is made in compliance with the relevant legislation, the operator of the Database shall make available to the requesting insurance company the data requested within eight days.

(5) The obligation of professional secrecy shall not apply to insurance companies toward the Database, with respect to data disclosed to the Database; moreover, the obligation to keep insurance secrets shall not apply to the operator of the Database with respect to insurance companies, if the request is submitted in accordance with the relevant legislation.

(6) The provisions relating to insurance secrets shall apply *mutatis mutandis* to the obligation of professional secrecy of the operator of the Database relating to data contained in the Database, and to compliance with requests for data.

(7) The operator of the Database, if the data requested is not available, shall forward such requests made under Paragraphs b), f), q) and r) of Subsection (1) of Section 138 and under Subsection (3) of Section 138 to the insurance companies authorized to provide services in the classes of insurance affected by the request. The operator of the Database shall notify the requesting party when forwarding his request.

(8) The requesting insurance company shall not be allowed to connect the data obtained through the request relating to an interest insured or to be insured, with data it has obtained or processed, for purposes other than those provided for in Subsection (3).

(9) The sending insurance company shall be responsible for the correctness and relevance of the data forwarded in the Database.

(10) The data specified in Subsection (1) may be processed for a period of five years following the date of registration, with the exception set out in Subsection (11).

(11) If the insurance contract is concluded, the data referred to in Subsection (1) may be processed during the life of the contract, until the term of limitation of the claims arising out of, or in connection with, the contract, in the registry specified in Subsection (1). The insurance company shall notify the operator of the Database when the contract is terminated and when the claims arising out of, or in connection with, the contract are no longer enforceable.

(12) The insurance company requesting data from the Database shall be allowed to process the data so obtained for a period of ninety days from the date of receipt.

(13) If the data obtained by the requesting insurance company through the request is necessary for the enforcement of that insurance company's lawful interest, the time limit specified in Subsection (12) for data processing shall be extended until the final conclusion of the procedure opened for the enforcement of such claim.



(14) If the data obtained by the requesting insurance company through the request for the enforcement of that insurance company's lawful interest, and the procedure for the enforcement of such claim is not opened inside a period of one year after the data is received, such data may be processed for a period of one year from the date of receipt.

(15) The insurance company requesting data from the Database shall be allowed to process the data so obtained only for the purpose defined in Subsection (1).

(16)<sup>1</sup> The requesting insurance company shall inform the client concerning the request made according to Subsection (3), on the data to which it pertains, and also on compliance with the request at least once during the period of insurance cover, and shall provide access for the client upon request to his or her personal data.

### *Section 151*

(1) Insurance companies shall be able to set up the Database defined in Subsection (1) of Section 150 if two-thirds of the insurance companies engaged in the pursuit of the classes of insurance referred to in Subsection (1) of Section 150 - calculated according to their market share existing prior to the conclusion of the agreement - agreed to establish the database, on the conditions of participation and sharing the costs of operating the Database.

(2) Furthermore, another prerequisite for setting up the Database is that the insurance companies providing data for the Database install a clause in the contracts affected as regards the possibility of disclosure and transmission of, and allowing access to, data made available for the Database.

## **CHAPTER XI**

### **ADMINISTRATION RULES CONCERNING CLIENTS**

#### *62. Provision of information to clients*

### *Section 152*

(1)<sup>2</sup> Unless otherwise provided for by an act, before an insurance contract is concluded, the insurance company shall provide the prospective policyholder in due time with easily intelligible, clearly written, accurate, not misleading, fair and detailed information free of charge that is verifiable and documented, written in the official language of the Member State in which the risk is situated or of the Member State of the commitment, concerning:

a) the insurance company's name, registered address and legal form, and that it is engaged in the business of insurance;

b) if the insurance contract is concluded by way of a branch, the registered office of the branch (or address if the branch is set up abroad), if the insurance contract is concluded through the Hungarian branch of a foreign insurance company, its registered office, registered number or register number, including the name of the court or authority of registry;

c) the competent supervisory authority;

d) the attributes of the insurance contract provided for in Part A) of Annex 4;

e) publication of the report referred to in Subsection (1) of Section 108;

f) whether it provides advice about the insurance products sold;

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1 Amended by Paragraph e) of Section 138 of Act XXXIV of 2019.

2 Established by Subsection (1) of Section 155 of Act CXLV of 2017, effective as of 23 February 2018.

*g)* the nature of the remuneration given to the contributor in relation to the insurance contract.

(2) The information provided in accordance with Subsection (1) shall be sufficient to focus attention:

- a)* on the conditions under which the insurance company is released from liability;
- b)* on the conditions under which the insurance company is entitled to limit its services;
- c)* on the exclusions stipulated in the insurance contract; and
- d)* on all other terms and conditions that differ substantially from common contractual practice, contracting regulations or any contract clause previously accepted by the parties, thus, for example, if some law other than Hungarian is stipulated as the governing law or if Hungarian courts are not vested with exclusive jurisdiction.

(3)<sup>1</sup> The information provided for in Subsection (1) may also be provided in a language specified in the agreement concluded with the client, and - if the conditions laid down in Subsection (3a) or (3b) are satisfied, as the case may be - also on durable medium or through a website, with the proviso that at the client's request the information shall be made available free of charge, in writing as well.

(3a)<sup>2</sup> The provision of information using a durable medium provided for in Subsection (3) may be implemented if the client has expressly requested it, and if this is regarded as appropriate in the context of communication. This includes if the client has regular access to the internet, specifically, if the client provided an e-mail address to the insurance company.

(3b)<sup>3</sup> The information may be provided by means of a website in accordance with Subsection (3) if:

- a)* it is addressed personally to the client, or
- b)* the client has been notified electronically of the address of the website, and the place on the website where that information can be accessed; the information shall remain accessible on the website for such period of time until the expiry of claims deadlines, and the conditions under Subsection (3a) shall remain intact as well.

(3c)<sup>4</sup> In the case of telephone selling, the information referred to in Subsection (1), including the insurance product information document, shall be provided in accordance with Act XXV of 2005 on the Distance Marketing of Consumer Financial Services and the Union rules applicable. Moreover, the information under this Section shall be provided to the client in accordance with the means selected by the client, that is independent from the mode of prior information selected, immediately after the conclusion of the insurance contract.

(4) Any breach of the obligations defined in Subsection (2) shall invoke the sanctions prescribed in this Act, and shall not affect the standard contract terms, or certain clauses thereof, becoming part of the contract as provided for in the Civil Code.

(5)<sup>5</sup> Save where Paragraph *g)* of Subsection (1), and Point 17 of Part A) of Annex 4 applies, the insurance company shall supply information by the same way as providing pre-contractual information to policyholders with respect to any changes in the data provided for in Subsection (1) any time when the contract is amended or renewed.

1 Established by Subsection (2) of Section 155 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Subsection (3) of Section 155 of Act CXLV of 2017, effective as of 23 February 2018.

3 Enacted by Subsection (3) of Section 155 of Act CXLV of 2017, effective as of 23 February 2018.

4 Enacted by Subsection (3) of Section 155 of Act CXLV of 2017, effective as of 23 February 2018.

5 Established by Subsection (4) of Section 155 of Act CXLV of 2017, effective as of 23 February 2018.

(6)<sup>1</sup> If any payments, other than the ongoing premiums and scheduled payments, are made by the client under the insurance contract after its conclusion, the insurance company shall also make the disclosures in accordance with Paragraph *g*) of Subsection (1) for each such payment.

(7)<sup>2</sup> Where an insurance company proposes to sell insurance products, in the exercise of the right of establishment or the freedom to provide services, to a client whose habitual residence or registered office is situated in a Member State that applies stricter rules than this Act regarding the requirements concerning the distribution of insurance products, such stricter rules shall apply.

### *Section 152/A<sup>3</sup>*

The person referred to in Subsection (1) of Section 368 shall - acting under the responsibility of his employer insurance company - provide the prospective policyholder with information - by way of the means provided for in Section 152 - about the name and address of that insurance company, including the information under Point 11 of Part A) of Annex 4, and shall ascertain that the provisions laid down in Section 130/A, Section 158/A, and in Subsections (3)-(5) of Section 158/C are properly implemented, take due account of the client's demands and needs prior to entering into a contract, and make available the insurance product information document provided for in Subsection (5) of Section 158/B to the client prior to entering into a contract.

### *Section 153*

(1)<sup>4</sup> Before a life insurance contract is concluded - with the exception of net risk life insurance policies in which no saving element is involved, which are offered by a financial institution in connection with financial services it provides, or where the sum insured is less than one million forints - the insurance company shall assess the client's demands or shall interview the client in order to ascertain the needs and requirements of the client based on the information he has provided.

(2) In addition to the information provided for in Section 152, insurance companies are required to supply - in connection with life insurance policies where the client survey referred to in Subsection (1) hereof is required - information in the form of a product information guide referred to in Part B) of Annex 4 containing the results of the client survey referred to in Subsection (1) hereof before the life insurance policy is issued.

(2a)<sup>5</sup> The information under Point 4 of the product information document provided for in Part B) of Annex 4 shall be given to clients for all life insurance policies, other than term life insurance contracts.

(3) The obligation provided for in Section 152, in Subsections (1)-(2a) and (5) hereof, and in Subsection (1) of Section 155:<sup>6</sup>

*a*) shall not apply to the insurance company in connection with reinsurance contracts and insurance contracts covering large exposures,

*b*)<sup>7</sup> shall not apply to the insurance company, if an insurance intermediary is involved in the conclusion of the insurance contract.

(4)<sup>8</sup>

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1 Enacted by Subsection (5) of Section 155 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Subsection (5) of Section 155 of Act CXLV of 2017, effective as of 23 February 2018.

3 Enacted by Section 156 of Act CXLV of 2017, effective as of 23 February 2018.

4 Established by Subsection (1) of Section 157 of Act CXLV of 2017, effective as of 23 February 2018.

5 Enacted by Subsection (2) of Section 157 of Act CXLV of 2017, effective as of 21 November 2017.

6 Amended by Point 6 of Section 181 of Act CXXVI of 2018.

7 Amended by Paragraph c) of Section 213 of Act CXLV of 2017.

8 Repealed by Paragraph a) of Section 215 of Act CXLV of 2017, effective as of 23 February 2018.

(5) As regards regular, periodical or single-premium life insurance policies with savings element, the insurance company shall inform the client, upon making available the product information referred to in Subsection (2), about the total costs charged for the insurance policy, and the internet access thereof.

(6) Insurance companies shall publish the total costs charged on their websites.

#### *Section 154*

(1) Where insurance services are provided electronically, insurance companies shall be required to provide information to clients on an ongoing basis in easily accessible format.

(2)<sup>1</sup> If the insurance company's statement of acceptance is executed in the form of an electronic document with an advanced electronic signature, the insurance company shall be required to provide for the client the information specified in Subsection (2) of Section 152 by way of electronic means on an ongoing basis in easily accessible format.

#### *Section 155*

(1)<sup>2</sup> Unless otherwise provided for by law, the insurance company shall obtain a statement from the client, supported by sufficient evidence, to the effect that he has received the information specified in Subsection (1) of Section 152 and in Subsections (2) and (2a) of Section 153.

(2) In the statement referred to in Subsection (1), the client shall also state any other information received in connection with the insurance policy in question prior to concluding the contract.

#### *Section 156*

(1) Once a life insurance contract has been concluded - other than term life insurance policies with no residual rights attached, supplementary insurance against disability resulting from an accident or sickness covered under the life insurance branch - the insurance company shall provide written information to the policyholder at least once a year on the benefit value of the life insurance policy, its current cash surrender value and the amount of any surplus yield to be refunded.

(2) In connection with an inflation escalation clause in an insurance contract, the client is to be clearly informed concerning the components to which the inflation escalation clause applies, and to which it does not apply. The insurance company shall be required to emphasize the existence of inflation escalation clauses, including the rights of the client relative to such clauses.

(3) As regards unit-linked life insurance policies, the insurance company must provide the policyholder with access to information on the placement of investments, to wit, the cross rate of the various investment forms used to cover the policyholder's investment, the types of each form of investment and the current value of his investments. The form and content requirements regarding the information to be supplied to clients in connection with unit-linked life insurance policies shall be decreed by the minister in charge of the money, capital and insurance markets.

(4) If a medical examination of the prospective policyholder is required for the conclusion of an insurance contract - life insurance and non-life insurance alike - the insurance company must inform the client of his right to have access to the results of such tests and examination at the healthcare service provider pursuant to the Healthcare Act.

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<sup>1</sup> Amended by Section 90 of Act CXXI of 2016.

<sup>2</sup> Amended by Paragraph c) of Section 176 of Act LIII of 2016, Point 7 of Section 181 of Act CXXVI of 2018.

*Section 157*

(1) Following conclusion of the life insurance contract, the insurance company shall notify - in a clearly verifiable and identifiable manner - the policyholder within thirty days of the effective date of the contract - in the official language of the Member State of the commitment or in another language if the policyholder so requests and if there is an agreement to that effect - that the contract has entered into existence.

(2) If the policyholder is a consumer, the insurance company shall be required to draw attention to the provisions contained in Section 122.

*Section 158<sup>1</sup>*

Where the insurance company is responsible for the provision of mandatory occupational pension arrangements and an employee becomes a member of such an arrangement without having taken an individual decision to join it, the information referred to in Section 152 shall be provided by the insurance company to the employee promptly after their enrollment in the pension arrangement concerned.

*Section 158/A<sup>2</sup>*

Marketing communications related to insurance products shall be presented in a way that is easily intelligible, clearly written, accurate, not misleading and fair. Marketing communications shall always be clearly identifiable as such.

*62/A.3 Provisions relating to advised sales and to selling insurance products where no advice is given*

*Section 158/B<sup>4</sup>*

(1) In addition to the information requirements provided for in this Act, prior to the conclusion of an insurance contract - irrespective of whether cross-selling practices under Section 158/C are being exercised or not - the insurance company shall specify, on the basis of information obtained from the client, the demands and the needs of that client and shall provide the client with objective information about the insurance product in a comprehensible form to allow that client to make an informed decision.

(2) In accordance with Subsection (1), any insurance product proposed by the insurance company to the client shall be consistent with the client's insurance demands and needs determined based on the information supplied by the client.

(3) Where advice is provided prior to the conclusion of any specific insurance contract, the insurance distributor shall provide - in addition to what is contained in Subsections (1) and (2) - the client with a personalized recommendation relating to a particular insurance product or products, explaining why that product would best meet the client's demands and needs.

(4) The information and proposal referred to in Subsections (1)-(3) may be modified according to the complexity of the insurance product being proposed and the type of client.

(5) In relation to the distribution of non-life insurance products as listed in Annex 1, the information under this Section shall be provided by way of a standardized insurance product information document on paper or on another durable medium, and it shall be drawn up by the manufacturer of the non-life insurance product.

1 Established by Section 158 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Section 159 of Act CXLV of 2017, effective as of 23 February 2018.

3 Enacted by Section 160 of Act CXLV of 2017, effective as of 23 February 2018.

4 Enacted by Section 160 of Act CXLV of 2017, effective as of 23 February 2018.

(6) The insurance product information document provided for in Subsection (5) shall meet the following requirements:

- a) it shall be a short and stand-alone document;
- b) it shall be presented and laid out in a way that is clear and easy to read, using characters of a readable size;
- c) it shall be no less comprehensible in the event that, having been originally produced in color, it is printed or photocopied in black and white;
- d) it shall be written in the official languages, or in one of the official languages, used in the place where the insurance product is offered or, if agreed by the consumer and the insurance distributor, in another language;
- e) it shall be accurate and not misleading;
- f) it shall contain the title 'insurance product information document' at the top of the first page;
- g) it shall include a statement that complete pre-contractual and contractual information on the product is provided in other documents, and shall specify such documents.

(7) The insurance product information document referred to in Subsection (5) shall contain the following information:

- a) information about the type of insurance;
- b) a summary of the insurance cover, including the main risks insured, the insured sum and, where applicable, the geographical scope and a summary of the excluded risks;
- c) the means of payment of premiums and the scheduling of payments;
- d) main exclusions where claims cannot be made;
- e) obligations at the start of the contract;
- f) obligations during the term of the contract;
- g) obligations in the event that a claim is made;
- h) the term of the contract including the start and end dates of the contract;
- i) the means of terminating the contract.

(8) The insurance product information referred to in Subsection (5) hereof shall be made available together with the information under Subsection (1) of Section 152, in accordance with the requirements set out in Subsection (6) hereof.

(9) The provisions set out in this Section shall be applied in accordance with Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017 laying down a standardized presentation format for the insurance product information document.

(10) This Section shall not apply to insurance products which consist of the insurance of large risks.

#### *62/B.1 Cross-selling rules and related client information requirements*

#### *Section 158/C2*

(1) When an insurance product is offered together with an ancillary product or service which is not insurance, as part of a package or the same agreement, the insurance company shall inform the customer whether it is possible to buy the different components separately and, if so, shall provide an adequate description of the different components of the agreement or package as well as separate evidence of the costs and charges of each component.

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1 Enacted by Section 161 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Section 161 of Act CXLV of 2017, effective as of 23 February 2018.

(2) In the case provided for in Subsection (1), where the risk or the insurance coverage resulting from such an agreement or package offered to a customer is different from that associated with the components taken separately, the insurance company shall provide an adequate description of the different components of the agreement or package and the way in which their interaction modifies the risk or the insurance coverage.


(3) Where an insurance product is ancillary to a good or a service which is not insurance, as part of a package or the same agreement, the insurance company shall inform the client whether it is possible to buy the different components separately, except where the insurance product is ancillary to an investment service or activity, a credit agreement for a residential loan or a loan agreement, or a payment account.

(4) In the cases referred to in Subsections (1) and (3), the insurance company shall specify the demands and needs of the customer in relation to the insurance products that form part of the overall package or the same agreement.

(5) This Section shall not affect the distribution of insurance products which provide coverage for various types of risks.

### *63. Complaints handling*

#### *Section 159<sup>1</sup>*

 (1)<sup>2</sup> Insurance companies shall provide facilities for their clients and consumer associations (for the purposes of this Section hereinafter referred to collectively as "client") to lodge a complaint they may have relating to the insurance company's or the insurance company's ancillary insurance intermediary's or agent's conduct, activity or any alleged infringement orally (in person, by telephone) or in writing (by means of document delivered in person or by others, by post or by electronic mail).

(2)<sup>3</sup> Where complaints are handled by telephone, the insurance company shall record the conversation between the insurance company and the client, and shall retain this sound recording for a period of five years. The client shall be informed thereof before the opening of the telephone conversation. At the client's request the sound recording shall be replayed, and - according to the client's request - a certified report on the sound recording, or a copy of the sound recording shall be made available within twenty-five days to the client free of charge.

(3) The insurance company shall retain the complaint and the reply provided therefor for a period of five years, and shall make them available to the Authority when so requested.

(4) Insurance companies shall not be authorized to charge the costs of investigating complaints to the consumers. Handling complaints by telephone may not be operated by means of premium rate phone services.

(5) Insurance companies shall designate a consumer protection officer for handling consumer affairs, and shall notify the Authority of this officer in writing within fifteen days, including any subsequent changes in his person.

(6) The obligation set out in this Section shall not apply to insurance companies in connection with reinsurance contracts and insurance contracts covering large exposures.

(7) The detailed regulations regarding the complaints handling procedures of insurance companies, and their complaints handling policy shall be decreed by the Government.

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1 Established by Section 228 of Act LXVII of 2016, effective as of 1 January 2017.

2 Established by Section 162 of Act CXLV of 2017. Amended by Paragraph b) of Section 65 of Act CIX of 2023.

3 Amended by Paragraph c) of Section 206 of Act LXIX of 2017.

## CHAPTER XII

### PROVISIONS SPECIFIC TO LEGAL EXPENSES INSURANCE

#### *64. Scope of application of this Chapter*

##### *Section 160*

(1) Subject to the exceptions set out in Subsection (2), the provisions of this Chapter shall apply to the activity of legal expenses insurance undertaken by an insurance company.

(2) The provisions of this Section shall not apply to any of the following:

a) legal expenses insurance where such insurance concerns legal actions or risks arising out of, or in connection with, the use of sea-going vessels;

b) the activity pursued by an insurance company providing civil liability cover for the purpose of defending or representing the insured person in any inquiry or proceedings where that activity is at the same time pursued in the own interest of that insurance company under such cover;

c) the activity of legal expenses insurance undertaken by an assistance insurer provided that the activity is pursued in a Member State other than that in which the insured person has a permanent residence or in which he is habitually resident, and the activity forms part of a contract covering solely the assistance provided for persons who fall into difficulties while traveling, or while away from their home or their habitual residence.

(3) For the purposes of Paragraph c) of Subsection (2), the insurance company shall clearly state in the contract that the cover concerned is limited to the circumstances referred to in Paragraph c) of Subsection (2) and is ancillary to the assistance services.

(4) Sections 161-163 shall only apply to insurance companies that are engaged in other non-life insurance activities in addition to legal expenses insurance.

#### *65. Separation of legal expenses insurance*

##### *Section 161*

In the pursuit of legal expenses insurance:

a) the insurance company employees engaged in the settlement of legal expenses claims and the employees providing legal advice are not performing the same or similar services in any of the insurance company's other divisions or for any other insurance company in connection with any class of insurance defined in Part A) of Annex 1 and that any senior executive of the insurance company installed as a superior officer for these employees shall not be installed in a similar position in connection with the settlement of claims in other branches of insurance;

b) the insurance company entrusts another organization, whose name and address is indicated in the legal expenses insurance contract, for the management of legal expenses claims and for providing legal advice in respect thereof; or

c) the insurance contract states that the insured party is entitled to appoint a legal representative of his choice to represent his interests upon the occurrence of an insurance event.



### Section 162

(1) In the case of Paragraph *b*) of Section 161, settlement of claims shall be entrusted to a limited company, a private limited-liability company, or the branch of a foreign-registered company specializing in the management of legal expenses claims, provided it does not have any financial, commercial or administrative links with the insurance company and it is not in any direct or indirect relationship that may have any effect on impartiality in the settlement of claims and whose other activities shall not obstruct its objectivity in terms of the management of claims.

(2) If the organization referred to in Subsection (1) that is considered a separate legal entity has any financial, commercial or administrative links with another insurance company, its executive officers and the employees engaged in the settlement of claims in the legal expenses division and the employees providing legal counsel may not perform the same or similar services for any other insurance company in connection with any class of insurance defined in Part A) of Annex 1. The management of legal expenses claims and the provision of legal advice in respect thereof may not be entrusted to another insurance company that is engaged in any other class of insurance apart from legal expenses insurance.

(3) Information between the legal expenses insurance company and the company entrusted with the management of claims shall take place under adequate facilities to prevent the legal expenses insurance company from using such data in connection with the settlement of claims arising from other classes of insurance contracts.

(4) In the case of Paragraph *b*) of Section 161, the insurance company may propose a legal representative upon the express written request of the policyholder, if the policyholder did not wish to exercise his right of choosing a legal representative.

(5) In the case provided for in Subsection (4), the insurance company shall offer at least three legal representatives for the policyholder to choose from.

(6) Information between the legal expenses insurer and the legal representative shall take place under adequate facilities to prevent the legal expenses insurer from using such data in connection with the settlement of claims arising from other classes of insurance contracts.

### Section 163

The insurance company shall be entitled to adopt two or three of the solutions provided for in Section 161, with the proviso that only one solution may be adopted in the case of an insurance relationship.

## 66. Representation

### Section 164

Under special authority:

*a*) the insurance company's employees assigned for handling legal expenses claims and for providing legal advice in respect thereof;

*b*) the authorized representatives of a company delegated by the insurance company for handling legal expenses claims and for providing legal advice in respect thereof,

are entitled to provide representation for the insured person in any administrative or court proceedings, unless otherwise provided for by law.

## 67. Mandatory content requirements of contracts of legal expenses insurance

*Section 165*

(1) In addition to Section 121, the terms and conditions of a contract for legal expenses insurance shall expressly provide:

a) that insured person shall be free to choose a lawyer in any court or administrative proceedings, or before the opening of such proceedings, or in any proceeding aimed at reaching a settlement without such proceedings, where this is deemed necessary to represent or serve his interests;

b) for the designation of an unbiased arbitration procedure in which the parties are required to participate in case of any disagreement between the insurance company and the insured person in connection with the insurance company's services;

c) that the insured person shall be free to choose a legal representative to represent or serve his interests arising out of, or in connection with, the insurance contract if the procedure referred to in Paragraph b) fails;

d) advice for the insured person in writing or in some other verifiable manner of his rights defined in Paragraphs b) and c) in case of any conflict with the insurance company;

e) for the rules of the procedure to be followed by the parties if two or more adverse parties have legal expenses or liability insurance coverage with the same insurance company in connection with an event that serves as the basis of the insurance company's obligation to provide services;

f) information concerning the requirements defined under Paragraphs a)-c) that applies connection with legal expenses insurance policies.

(2) If the outcome of the arbitration procedure provided for in Paragraph b) of Subsection (1) is for the insured person, the costs of the procedure shall be borne by the insurance company; otherwise, the policyholder and the insurance company shall cover their own expenses. Unless otherwise stipulated in the insurance contract, the insured person shall have the right to retain a lawyer of his choice in the event of any disagreement. If the lawyer adopts the position of the insured person, the insurance company shall be required to proceed accordingly.

(3) If there is a dispute between the insurance company and the insured person in connection with the insurance company's services, the insurance company shall be required to inform the insured party in writing concerning the provisions of Paragraphs a)-c) of Subsection (1).

*Section 166*

(1) If legal expenses insurance is provided as part of an insurance contract covering other risks as well, the legal expenses section of the insurance contract shall be clearly separated so that it may be easily identified by the clients.

(2) The insurance company shall be required to draw attention to the existence of legal expenses coverage on all of the documents that are supplied to the client; furthermore, the premium payable for legal expenses insurance shall be shown separately from all other premiums in the currency in which the policyholder is required to pay the insurance premium.

**CHAPTER XII/A<sup>1</sup>****SPECIFIC PROVISIONS IN RELATION TO THE DISTRIBUTION OF  
INSURANCE-BASED INVESTMENT PRODUCTS<sup>2</sup>**

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<sup>1</sup> Enacted by Section 163 of Act CXLV of 2017, effective as of 23 February 2018.

<sup>2</sup> Enacted by Section 163 of Act CXLV of 2017, effective as of 23 February 2018.

*67/A.1 Scope of application of this Chapter**Section 166/A<sup>2</sup>*

The additional requirements laid down in this Chapter shall apply to the distribution of insurance-based investment products of insurance companies, in conjunction with the provisions adopted by the European Commission within the meaning of Article 28(4), Article 29(4) and Article 30(6) of Directive 2016/97/EU of the European Parliament and of the Council.

*67/B.3 Additional requirements in relation to insurance-based investment products**Section 166/B<sup>4</sup>*

Selling insurance-based investment product must be accompanied by advice.

*Section 166/C<sup>5</sup>*

(1) Insurance companies shall maintain procedures and measures which are proportionate to their activities and to the nature of the insurance-based investment products they offer to identify conflicts of interest between themselves, including their managers and contributors, or any person directly or indirectly linked to them by control, and their customers or between one customer and another, that arise in the course of carrying out any insurance distribution activities.

(2) Where the arrangements made in accordance with Subsection (1) are not sufficient to ensure that risks of damage to customer interests will be prevented, the insurance company shall clearly disclose to the customer the general nature or sources of the conflicts of interest, in good time before the conclusion of an insurance contract.

(3) The disclosure referred to in Subsection (2) shall:

- a) be made on a durable medium; and
- b) include sufficient detail, taking into account the nature of the customer, to enable that customer to take an informed decision with respect to the insurance distribution activities in the context of which the conflict of interest arises.

*Section 166/D<sup>6</sup>*

(1) In addition to the obligation of disclosure of information under this Act, insurance companies shall provide appropriate information in good time, prior to the conclusion of a contract, to customers or potential customers with regard to the distribution of insurance-based investment products, and with regard to all costs and related charges. That information shall include at least the following:

- a) the insurance company shall provide the customer with a periodic assessment of the suitability of the insurance-based investment products recommended to that customer, referred to in Subsection (7) of Section 166/E;

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1 Enacted by Section 163 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Section 163 of Act CXLV of 2017, effective as of 23 February 2018.

3 Enacted by Section 163 of Act CXLV of 2017, effective as of 23 February 2018.

4 Enacted by Section 163 of Act CXLV of 2017, effective as of 23 February 2018.

5 Enacted by Section 163 of Act CXLV of 2017, effective as of 23 February 2018.

6 Enacted by Section 163 of Act CXLV of 2017, effective as of 23 February 2018.

b) as regards the information on insurance-based investment products and proposed investment strategies, appropriate guidance on, and warnings of, the risks associated with the insurance-based investment products or in respect of particular investment strategies proposed, so as to make an informed investment decision;

c) as regards the information on all costs and related charges to be disclosed, information relating to the distribution of the insurance-based investment product, including the cost of advice, where relevant, the cost of the insurance-based investment product recommended or marketed to the customer and how the customer may pay for it, also encompassing any third party payments.

(2) The information about incidental costs and charges referred to in Paragraph c) of Subsection (1), including costs and charges in connection with the distribution of the insurance-based investment product, which are not caused by the occurrence of underlying market risk, shall be in aggregated form to allow the customer to understand the overall cost as well as the cumulative effect on the return of the investment. Where the customer so requests, an itemized breakdown of the costs and charges shall be provided.

(3) The information referred to in Subsection (2) - if the data therein contained is available - shall be provided to the client on a regular basis, at least annually, during the life cycle of the investment. Such information may be provided in conjunction with the information referred to in Subsection (4) of Section 166/E.

(4) The information referred to in Subsections (1)-(3) may be provided in a standardized format.

(5) In addition to the provisions of this Act relating to the remuneration of insurance distributors, and as a precondition in fulfilling the obligations under Subsection (1) of Section 130/A and Section 166/C, insurance companies are required to comply with the requirement that where they pay or are paid any referral fee or commission, or provide or are provided with any non-monetary benefit in connection with the distribution of an insurance-based investment product or an ancillary service, to or by any party except the client or a person on behalf of the client only where the payment or benefit:

a) does not have a detrimental impact on the quality of the relevant service to the client; and

b) does not impair compliance with the insurance company's duty to fulfil its obligation under Subsection (1) of Section 130/A.

(6) Where an insurance company proposes to sell insurance-based investment product, in the exercise of the right of establishment or the freedom to provide services, to a client whose habitual residence or registered office is situated in a Member State that applies stricter rules than this Act regarding the requirements concerning the distribution of insurance-based investment product, such stricter rules shall apply.

#### *Section 166/E<sup>1</sup>*

(1) In addition to the requirements laid down in Subsections (1)-(3) of Section 158/B, the insurance company shall obtain the necessary information regarding the customer's or potential customer's knowledge and experience in the investment field relevant to the specific type of insurance product, that person's financial situation including that person's ability to bear losses, and that person's investment objectives and risk tolerance, so as to be able to recommend the insurance-based investment products that are suitable for that person.

(2) In the case of cross-selling practices referred to in Section 158/C, where insurance-based investment products are involved, the overall bundled package or agreement must be appropriate for the client or potential client.

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1 Enacted by Section 163 of Act CXLV of 2017, effective as of 23 February 2018.

(3) The insurance company shall maintain internal records that include the agreements between the insurance company and the client relating to the sale of insurance-based investment products, and the product information documents and prospectuses supplied. The rights and duties laid down in those documents may be incorporated by reference to other documents or legal texts.

(4)<sup>1</sup> In addition to what is contained in Subsection (1) of Section 156, the insurance company shall provide information on a durable medium on a regular basis, at least annually about the services it provides and, where appropriate, on the costs associated with the transactions and services undertaken on behalf of the client, taking into account the type and the complexity of insurance-based investment products involved and the nature of the service provided to the client.

(4a)<sup>2</sup> As regards insurance-based investment products, additional information shall be supplied - in addition to what is contained in Subsection (4) hereof, in accordance with Subsection (3) of Section 156 - to clients in connection with unit-linked life insurance policies subject to form and content requirements decreed by the minister in charge of the money, capital and insurance markets.

(5) In the case of distribution of insurance-based investment products, the insurance company shall - by way of the means provided for in Subsection (1) of Section 152, having regard to Subsection (3a) of Section 152 - provide the client, prior to the conclusion of the contract, with a suitability statement on a durable medium specifying the advice given and how that advice meets the preferences and objectives of the client.

(6) Where the contract is concluded using a means of distance communication which prevents the prior delivery of the suitability statement, the insurance company may provide the suitability statement on a durable medium immediately after the customer is bound by any contract, provided that all of the following conditions are met:

a) the client has consented to receiving the suitability statement immediately after the conclusion of the contract; and

b) the insurance company has given the client the option of delaying the conclusion of the contract in order to receive the suitability statement in advance of such conclusion.

(7) Where the insurance company has informed the client that it will carry out a periodic assessment of suitability, the periodic report referred to in Subsection (4) shall contain an updated statement of how the insurance-based investment product meets the client's preferences and objectives.

#### *Section 166/F<sup>3</sup>*

Sections 166/B, 166/D and 166/E shall not apply if the client qualifies as a professional client by definition of the IRA.

### PART FOUR

## REORGANIZATION AND LIQUIDATION OF INSURANCE COMPANIES

### CHAPTER XIII

## REORGANIZATION MEASURES RELATING TO INSURANCE COMPANIES

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1 Established by Subsection (1) of Section 164 of Act CXXVI of 2018, effective as of 1 January 2019.

2 Enacted by Subsection (2) of Section 164 of Act CXXVI of 2018, effective as of 1 January 2019.

3 Enacted by Section 163 of Act CXLV of 2017, effective as of 23 February 2018.

*68. Transfer of insurance portfolio in the insured persons' interest**Section 167*

(1) If the authorization of an insurance company is withdrawn, the Authority may - in addition to what is contained in Subsection (4) of Section 304 - introduce measures for having the insurance company's portfolio affected by the withdrawal of the activity license transferred in part or in whole in protecting the insured persons' interest.

(2) In the case of Subsection (1) the Authority shall appoint a supervisory commissioner to ensure that the portfolio transfer is carried out successfully, or shall modify the letter of authorization of the supervisory commissioner without delay, if one is already appointed.

(3)<sup>1</sup> Within thirty days from the time of appointment for carrying out the portfolio transfer, or from the date of amendment of the letter of authorization, the supervisory commissioner shall invite - in the insurance company's name - insurance companies established in Hungary, and the Hungarian branches of EU and third-country insurance companies authorized to pursue the classes contained in the portfolio or portfolios to be transferred, to make an offer with a view to making an agreement for the portfolio transfer.

(4) The invitation referred to in Subsection (3) shall specify:

a) a precise description of the portfolio to be transferred and the contractual conditions of the portfolio;

b) a description of the technical reserves connected to the portfolio to be transferred and the related assets proposed to be transferred.

(5) Insurance companies authorized to pursue the classes contained in the insurance portfolio to be transferred shall have until the time limit specified in the invitation - not exceeding two months from the time of publication of the invitation - to make an offer for taking over the insurance portfolio in question, and shall remain bound by that offer until the supervisory commissioner's decision referred to in Subsection (6) is made.

(6) The supervisory commissioner shall decide within fifteen days after the deadline prescribed in the invitation as to the insurance company for signing the portfolio transfer agreement. Where several offers are received, competitive bidding may be conducted as well. In accordance with Subsection (9), the supervisory commissioner shall accept the offer that is considered the most favorable having regard to protecting the interest of insured persons and to the financial standing of the transferring insurance company, taking into account all aspects of the offer. Where an insurance portfolio contains the same liabilities, the transfer valued at the lower figure shall be considered the most favorable.

(6a)<sup>2</sup> If the measures provided for in Subsections (3)-(6) have been ineffective, the Authority shall post a notice on its website announcing the failure of such measures and informing the policyholders affected by the portfolio in question regarding the effective consequences of the provisions specified in Subsections (2) and (3) of Section 188.

(7) After the decision referred to in Subsection (6) is made, the supervisory commissioner and the receiving insurance company shall submit the application provided for in Subsection (1) of Section 256 to the Authority without delay. The Authority shall assess the application in priority proceedings, at the latest within fifteen working days of the date of receipt of the application, except if the receiving insurance company is established outside of Hungary.

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<sup>1</sup> Amended by Point 16 of Subsection (1) of Section 175 of Act LIII of 2016.

<sup>2</sup> Enacted by Subsection (1) of Section 157 of Act LIII of 2016, effective as of 1 July 2016.

(8) If the receiving insurance company is established outside of Hungary, the general rules applicable to the Authority's proceedings shall apply to the Authority's administrative time limit.

(9) If only a part of the insurance company's portfolio is transferred, any creditor holding a claim against the insurance company arising from an insurance contract shall not be put in a less favorable position, as if the insurance company was liquidated without a portfolio transfer arrangement. To that end, the technical provisions and assets to be transferred as per Paragraph *b*) of Subsection (4) for the insurance portfolio in question shall not be allowed to exceed the technical provisions and assets covering the insurance company's complete insurance portfolio.

(10)<sup>1</sup> The transfer of assets carried out in consequence of the measures taken according to this Section shall be exempt from taxes and duties.

### *Section 168*

(1) If the insurance company's authorization for pursuing an activity under the MVI is withdrawn, and the Authority decides to take the action provided for in Section 167, the supervisory commissioner shall contact the manager of the Claims Guarantee Fund without delay to clarify the assets held to cover the technical provisions for the portfolio of compulsory motor vehicle liability insurance policies.

(2) If the clarification referred to in Subsection (1) hereof reveals that the assets to cover the technical provisions for the portfolio of compulsory motor vehicle liability insurance policies of the insurance company whose activity license has been withdrawn are not available, and the measures taken under Subsections (3)-(6) of Section 167 had failed, the supervisory commissioner and the manager of the Claims Guarantee Fund shall draw up a plan within thirty days for recovering the missing assets from the Claims Guarantee Fund and for reiterating preparations for the transfer of the insurance company's compulsory motor vehicle liability insurance portfolio.

(3) After the plan provided for in Subsection (2) hereof has been drawn up, the supervisory commissioner shall once again invite the insurance companies affected to make an offer as under Subsection (3) of Section 167, with the proviso that the invitation shall - in addition to Subsection (4) of Section 167 - feature the plan provided for in Subsection (2) hereof.

### *Section 168/A<sup>2</sup>*

(1) With respect to initiating measures provided for in Sections 167 and 168, and the legal effects thereof, the Authority shall inform the supervisory authorities of the Member States of the European Union.

(2) Following publication of the decision on taking the measures provided for in Sections 167 and 168 on its website, the Authority shall forthwith publish the contents of the ruling in the Official Journal of the European Union, in English and in Hungarian on the standard forms referred to in Part C) of Annex 11.

### *69. Regulations relating to reorganization measures ordered in another Member State*

### *Section 169*

(1) As regards the legal ramifications of any decision made in reorganization measures relating to insurance companies established in other Member States, the laws of the country in which the insurance company is established shall apply.

<sup>1</sup> Enacted by Subsection (2) of Section 157 of Act LIII of 2016, effective as of 1 July 2016.

<sup>2</sup> Enters into force as under Section 36 of Act CLXII of 2015.

(2) The decisions adopted in such proceedings shall be recognized without any further action.

*Section 170<sup>1</sup>*

Upon receipt of notice from the competent supervisory authority of another Member State in regard to an insurance company that is registered under its jurisdiction and undergoing reorganization or similar proceedings, the Authority shall - upon weighing the need for the disclosure of information to any creditor the insurance company may have in Hungary - post a notice on its website on the opening of such proceedings and the effective consequences thereof.

**CHAPTER XIV**

**LIQUIDATION OF INSURANCE COMPANIES**

*70. General provisions*

*Section 171*

(1) This Chapter shall apply to the liquidation of limited insurance companies established in Hungary, insurance companies incorporated as European public limited-liability companies, cooperative insurance companies, mutual associations and the Hungarian branches of third-country insurance companies.

(2)<sup>2</sup> Any reference made in this Chapter to insurance company shall also cover any former insurance company undergoing liquidation, whose authorization has already been withdrawn.

*Section 172*

(1) As regards the legal ramifications of liquidation or equivalent proceedings of an insurance company established in another Member State of the European Union, the laws of the country in which the insurance company is established shall apply.

(2) The resolutions adopted in such proceedings shall be recognized without any further action.

*Section 173*

(1) The provisions of the Act on Bankruptcy Proceedings and Liquidation Proceedings (hereinafter referred to as "Bankruptcy Act") shall apply to the liquidation of limited insurance companies, insurance companies incorporated as European public limited-liability companies and cooperative insurance companies with the exceptions set out in this Chapter, and the provisions of the Civil Societies Act shall apply to the liquidation of mutual associations, subject to the exceptions set out in this Chapter.

(2) For the liquidation of the Hungarian branches of third-country insurance companies, the provisions of the FCA shall apply with the exceptions set out in this Chapter.

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<sup>1</sup> Enters into force as under Section 37 of Act CLXII of 2015.

<sup>2</sup> Amended by Point 17 of Subsection (1) of Section 175 of Act LIII of 2016.



(3) Limited insurance companies, insurance companies incorporated as European public limited-liability companies, Hungarian branches of third-country insurance companies, cooperative insurance companies and mutual associations shall not be adjudicated in bankruptcy.

(4) The Authority shall not be entitled to move for the liquidation of the Hungarian branches of insurance companies established in other Member States of the European Union.

#### Section 174

The Fővárosi Törvényszék (*Budapest Metropolitan Court*) has exclusive jurisdiction in conducting proceedings in connection with the liquidation of insurance companies, excluding small mutual associations.

#### Section 175

(1)<sup>1</sup> The nonprofit business association established for the liquidation of organizations covered by the acts enumerated in Section 39 of Act CXXXIX of 2013 on the National Bank of Hungary (hereinafter referred to as "MNB Act") shall be appointed or selected as the liquidator of an insurance company.

(2) Liquidators shall be subject to the confidentiality requirements prescribed under Sections 135-147.

(3) Liquidators shall have powers to exercise the rights conferred by this Act, the Bankruptcy Act, the Civil Societies Act and the FCA in all Member States in due observation of the laws of the respective Member State.

#### Section 176

(1) In order to satisfy creditor claims against the insurance company arising from an insurance contract, the liquidator shall have authority to enter into contract with an insurance company authorized to pursue the classes covered by the insurance contracts affected, or with the association of insurance companies (hereinafter referred to collectively as "Contracting Party").

(2) The consent of holders of creditors' claims is not required for entering into the contract referred to in Subsection (1).

(3) Based on the contract the Contracting Party shall exercise - in the name of the insurance company - the rights and obligations accrued to the insurance company before the opening of liquidation proceedings under insurance contract, and shall be entitled to process the personal data and trade secrets of holders of claims for compensation.

#### Section 177

(1) The liquidator's fee may not exceed 1.25 per cent of the aggregate amount of proceeds from sold assets and the receivables actually received during the liquidation proceedings. In the case of a composition, the liquidator's fee may not exceed 1.25 per cent of the net value of the assets.

(2) The provisions of Section 59 and Subsections (4)-(6) of Section 60 of the Bankruptcy Act shall not apply to liquidators.

#### Section 178

(1) In order to carry out their duties more effectively, liquidators shall have powers to delegate representatives on the territory of the Member States affected to provide assistance to local creditors.

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1 Amended by Section 232 of Act LXVII of 2016.

(2) The candidate representative referred to in Subsection (1) must not be subject to the disqualifying factors listed under Subsection (4) of Section 27/A of the Bankruptcy Act.

(3) The liquidator shall take measures to have the name and contact information of his representative referred to in Subsection (1), including the particulars of his right of representation published on his own website.

(4) The Authority shall publish the data and information referred to in Subsection (3) on its website.

(5) The justified costs of the representative referred to in Subsection (1) shall be construed as liquidation costs specified in Paragraph a) of Subsection (1) of Section 57 of the Bankruptcy Act.

### *Section 179*

(1) As regards the liquidation of mutual associations, Subsections (3), (5) and (6) of Section 10 of the Civil Societies Act shall not apply.

(2) In liquidation proceedings, Subsection (7) of Section 46 of the Bankruptcy Act shall not apply to obligations arising out of, or in connection with, insurance contracts.

(3)<sup>1</sup> In the case of liquidation of an insurance company, joinder, suspension and stay of the proceedings is not allowed.

### *Section 180*

(1) Section 40 of the Bankruptcy Act shall not apply in cases where the party acquiring any right through a contract is able to verify that the contract in question falls within the scope of the law of another Member State and such law does not allow the contract to be contested.

(2) In liquidation proceedings the liquidator shall respect the right provided for in Section 196 when exercised by its holder, at the same time, however, this shall not preclude the enforcement of Section 40 of the Bankruptcy Act, save for the case provided for in Subsection (1) hereof.

## *71. Opening of liquidation proceedings*

### *Section 181*

(1) The Authority has exclusive jurisdiction to initiate the opening of liquidation proceedings against an insurance company.

(2) The Authority may decide to initiate liquidation proceedings if the insurance company's activity license has already been withdrawn.

(3) The court shall adopt a decision concerning the ordering of liquidation within thirty days of the time of submission of the motion.

(4) The court shall order liquidation upon the request of the Authority without having to examine the insurance company's solvency.

(5) If the liquidation of an insurance company was initiated by an entity other than the Authority, after refusing the request the court shall forthwith notify the Authority. Upon receipt of notice, the Authority shall investigate without delay as to whether liquidation should be initiated.

(6)<sup>2</sup> The decision to initiate liquidation proceedings, as provided for in Subsection (2), may be appealed in administrative action:

a) by the representative of the supreme body exercising founder's or membership rights in the insurance company, and

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<sup>1</sup> Established by Section 164 of Act CXLV of 2017, effective as of 21 November 2017.

<sup>2</sup> Established by Subsection (2) of Section 483 of Act L of 2017, effective as of 1 January 2018.

b) by any other person holding a claim arising from an insurance contract provided for in Subsection (2) of Section 183.

(7)<sup>1</sup> The right to bring action referred to in Subsection (6) shall, in addition to challenging the decision provided for in Subsection (2), also challenge the decision for the withdrawal of the insurance company's activity license, except if the decision for the withdrawal of the insurance company's activity license has already been determined by final court ruling.

(8)<sup>2</sup> The administrative action shall be suspended if an administrative action is already in progress regarding the decision for the withdrawal of the insurance company's activity license.

(9)<sup>3</sup> The time limit for filing the statement of claim shall commence, in the case of creditors, on the day of publication of the decision to initiate liquidation proceedings.

### *72. Notification of creditors' claims*

#### *Section 182*

(1)<sup>4</sup> Except as specified in Subsection (3) of Section 188, during the liquidation of an insurance company, creditors must present their claims within sixty days of the publication of the final court ruling ordering liquidation.

(2) The deadline specified in Subsection (1) shall apply with prejudice.

### *73. Satisfying creditors' claims*

#### *Section 183*

(1)<sup>5</sup> In liquidation proceedings, the liquidator shall satisfy the insurance company's underwriting liabilities arising from insurance contracts after the liabilities referred to in Paragraphs a) and b) of Subsection (1) of Section 57 of the Bankruptcy Act and before those referred to in Paragraphs c)-h) of Subsection (1) of Section 57 of the Bankruptcy Act, excluding the case under Section 185/A.

(2) Insurance companies shall meet their underwriting liabilities from insurance contracts in the following order:

a) as regards underwriting liabilities in connection with personal injury, accident or sickness,

aa) liabilities covered by health insurance policies or health related risks covered by insurance policies,

ab) liabilities covered by accident insurance policies or accident related risks covered by insurance policies, and

ac) settlements from liability insurance policies, or liability related risks covered by insurance policies where personal injury is involved and the insured event took place before the date of the opening of liquidation proceedings, including annuity benefits payable to the injured party or to a family member whom the injured party is liable to support (in the application of this Subparagraph, excluding the claims which are due to the Claims Guarantee Fund, the Compensation Fund and to the National Bureau);

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1 Established by Subsection (2) of Section 483 of Act L of 2017, effective as of 1 January 2018.

2 Established by Subsection (2) of Section 483 of Act L of 2017, effective as of 1 January 2018.

3 Established by Subsection (2) of Section 483 of Act L of 2017, effective as of 1 January 2018.

4 Amended by Point 18 of Subsection (1) of Section 175 of Act LIII of 2016.

5 Amended by Paragraph d) of Section 213 of Act CXLV of 2017.

b)<sup>1</sup> liabilities from life insurance policies, and liabilities from liability insurance policies [in the application of this Paragraph, excluding the liabilities referred to in Paragraph a), and excluding the claims which are due to the Claims Guarantee Fund, the Compensation Fund and to the National Bureau];

c) settlements approved on the basis of losses which took place before the date of the opening of liquidation proceedings, excluding benefits referred to in Paragraphs a) and b) (in the application of this Paragraph, excluding the claims which are due to the Claims Guarantee Fund, the Compensation Fund and to the National Bureau);

d) liabilities to the National Bureau, the Claims Guarantee Fund and the Compensation Fund in respect of the settlements they have provided;

e) liabilities to refund insurance premiums paid in advance, which are considered unearned premiums.

### Section 184

(1) The insurance company's claims arising from insurance contracts may also be satisfied based on the interim liquidation account (hereinafter referred to as "interim financial statement").

(2) If the insurance company's financial situation, as verified by the interim financial statement, is sufficient to satisfy the liabilities provided for in Paragraph a) of Subsection (2) of Section 183, the insurance company shall satisfy such liabilities fully.

(3) If the insurance company's financial situation, as verified by the interim financial statement, is insufficient to satisfy the liabilities provided for in Paragraph a) of Subsection (2) of Section 183, the insurance company shall distribute the assets available among the creditors equally to meet the liabilities provided for in Subparagraphs aa)-ac) of Paragraph a) of Subsection (2) of Section 183.

(4) If the insurance company's financial situation, as verified by the interim financial statement, is sufficient - after satisfying the liabilities provided for in Paragraph a) of Subsection (2) of Section 183 - to cover the liabilities provided for in Paragraph b) of Subsection (2) of Section 183, the insurance company shall satisfy such liabilities partly, where:

a) the amount paid in connection with liabilities from one particular life insurance policy - in this context excluding the liabilities provided for in Subparagraphs aa) and ab) of Paragraph a) of Subsection (2) of Section 183 - may not exceed thirty million forints,

b) the amount paid in connection with liabilities from one particular liability insurance policy, or liability related risks covered by insurance policies - in this context excluding the liabilities provided for in Subparagraph ac) of Paragraph a) of Subsection (2) of Section 183 - may not exceed seventy-five per cent of the claim.

(5) If the insurance company's financial situation, as verified by the interim financial statement, is insufficient - after satisfying the liabilities provided for in Paragraph a) of Subsection (2) of Section 183 - to cover the liabilities provided for in Paragraph b) of Subsection (2) of Section 183 in accordance with Subsection (4) hereof, the insurance company shall distribute the assets available among the creditors equally to meet the liabilities provided for in Paragraph b) of Subsection (2) of Section 183.

(6) If the insurance company's financial situation, as verified by the interim financial statement, is sufficient - after satisfying the liabilities provided for in Paragraph a) of Subsection (2) of Section 183 and the liabilities provided for in Paragraph b) of Subsection (2) of Section 183 in accordance with Subsection (4) hereof - to cover the liabilities provided for in Paragraph c) of Subsection (2) of Section 183, the insurance company shall satisfy them partly, where payment made for satisfying underwriting liabilities from one particular insurance contract may not exceed seventy-five per cent of the claim.

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1 Amended by Point 19 of Subsection (1) of Section 175 of Act LIII of 2016.

(7) If the insurance company's financial situation, as verified by the interim financial statement, is insufficient - after satisfying the liabilities provided for in Paragraph *a*) of Subsection (2) of Section 183 and the liabilities provided for in Paragraph *b*) of Subsection (2) of Section 183 in accordance with Subsection (4) hereof - to cover the liabilities provided for in Paragraph *c*) of Subsection (2) of Section 183 in accordance with Subsection (6), the insurance company shall distribute the assets available among the creditors equally to meet the liabilities provided for in Paragraph *c*) of Subsection (2) of Section 183.

(8)<sup>1</sup> If the insurance company's financial situation, as verified by the interim financial statement, is sufficient - after satisfying the liabilities provided for in Paragraph *a*) of Subsection (2) of Section 183, the liabilities provided for in Paragraph *b*) of Subsection (2) of Section 183 in accordance with Subsection (4) hereof and the liabilities provided for in Paragraph *c*) of Subsection (2) of Section 183 in accordance with Subsection (6) - to cover:

*a*) the part of the liabilities provided for in Subsections (4) and (6) hereof over the limit specified in Paragraphs *a*) and *b*) of Subsection (4) and in Subsection (6), and

*b*) the liabilities provided for in Paragraph *d*) of Subsection (2) of Section 183, the insurance company shall satisfy such liabilities fully.

(9) If the insurance company's assets remaining after the above-specified process is insufficient to cover the liabilities in accordance with Subsection (8), such remaining assets shall be allocated firstly to cover the part of the liabilities provided for in Subsections (4) and (6) over the limit specified in Paragraphs *a*) and *b*) of Subsection (4) and in Subsection (6) where, if the assets remaining are insufficient to satisfy the liabilities in full, such liabilities shall be distributed equally among the creditors.

(10) If the insurance company has any assets remaining after satisfying the liabilities under Subsection (9), it shall be allocated:

*a*) firstly, to cover the liabilities to the National Bureau, the Claims Guarantee Fund and the Compensation Fund in respect of the settlements they have provided;

*b*) secondly, to satisfy the liabilities provided for in Paragraph *e*) of Subsection (2) of Section 183.

### *Section 185*

(1) In connection with claims for annuity benefits, the insurance company shall provide a lump-sum payment (hereinafter referred to as "redemption") in the amount determined by actuarial means, or may conclude an annuity insurance contract, using the annuity reserves or the assets used for covering such reserves, with another insurance company for satisfying liabilities for payment of benefits.

(2) For the purposes of the provisions set out in Section 184, the insurance company shall apply the amount of said redemption in respect of liabilities for payment of benefits.

### *Section 185/A<sup>2</sup>*

(1) Where an insurance company has entered into insurance contracts with natural persons for insurance-based investment products, the assets backing the technical provisions of accountancy set aside in connection with such contracts shall be handled separately in the course of liquidation proceedings, and the related funds may be appropriated solely for offsetting the obligations arising from such insurance contracts, after the liabilities referred to in Paragraph *a*) of Subsection (1) of Section 57 of the Bankruptcy Act are satisfied.

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<sup>1</sup> Amended by Point 20 of Subsection (1) of Section 175 of Act LIII of 2016.

<sup>2</sup> Enacted by Section 165 of Act CXLV of 2017, effective as of 23 February 2018.

(2) The assets referred to in Subsection (1) hereof may be appropriated for offsetting other obligations once the obligations mentioned in Subsection (1) are met, in accordance with the provisions set out in Sections 183-185, added to the funds covering such other obligations.

### *Section 186*

(1) In the case of liquidation of an insurance company, those creditors whose claim arising from insurance contract has been reinsured by the insurance company shall acquire in respect of the given reinsurance contract or contracts the rights of the insurance company undergoing liquidation on the reinsurance company up to their claims recognized by the liquidator.

(2) The right of creditors provided for in Subsection (1) shall be considered acquired upon confirmation of their claim being recognized, after which the rights existing vis-à-vis the reinsurance company shall accrue upon the creditors provided for in Subsection (1) and the insurance company jointly and severally.

(3) The creditors provided for in Subsection (1) shall have the right to bring action - up to the amount of their claims recognized by the liquidator - against the reinsurance company in the Member State where their home address (registered office) is located, irrespective of whether the reinsurance contract expressly provides such possibility or not.

(4) If the liquidator of the insurance company undergoing liquidation so requests, the creditors provided for in Subsection (1) shall move to enforce the insurance company's claim as well vis-à-vis the reinsurance company, however, with the right to demand the liquidator to advance the costs thereof.

(5) The claim of the creditor provided for in Subsection (1) who brought the action against the reinsurance company shall be satisfied first from the sum received as awarded in conclusion of the action.

(6) If the reinsurance company honors the reinsurance contract, the sums received by the insurance company undergoing liquidation shall be handled separately, and may be used solely and exclusively for satisfying the obligations arising out of the insurance contracts covered by the reinsurance in question.

## *74. Effect of ordering the opening of liquidation on insurance contracts*

### *Section 187*

(1) At the time of the opening of liquidation proceedings insurance contracts shall be terminated, with the exception of those in the process of being transferred and except as specified in Section 188.

(2) Insurance premiums due for the period ending at the time of termination may be collected in connection with terminated insurance contracts.

(3) Portfolio transfer shall be deemed to be in progress if the application for authorization of the portfolio transfer had been submitted to the Authority.

### *Section 188*

(1) In connection with the measures provided for in Sections 167-168, the Authority shall - in order to ensure that the portfolio transfer is carried out successfully - define those insurance portfolios whose insurance contracts will not cease to exist at the time of the opening of liquidation proceedings.

(2)<sup>1</sup> If the portfolio transfer under Sections 167 and 168 failed, the insurance contracts of the portfolios referred to in Subsection (1) shall be construed to have ceased to exist on the fifth working day following the date of disclosure of the information referred to in Subsection (6a) of Section 167.

(3)<sup>2</sup> If any insured event has occurred in relation to any insurance contract belonging to the portfolios referred to in Subsection (1), the time limit prescribed in Subsection (1) of Section 182 shall be calculated from the date of disclosure referred to in Subsection (6a) of Section 167.

## 75. Communications

### Section 189

(1) With respect to the opening of liquidation proceedings and the legal effects thereof, the Authority shall inform the supervisory authorities of the Member States of the European Union.

(2)<sup>3</sup> Following publication of the final court ruling ordering liquidation in the Cégközlöny (*Companies Gazette*), the Authority shall forthwith publish the contents of the ruling in the Official Journal of the European Union, in English and in Hungarian on the standard forms referred to in Part A) of Annex 11.

(3) Any creditor whose normal place of residence, head office or branch is located in another Member State of the European Union, the legal effects attached to publication as set out in Section 28 of the Bankruptcy Act shall apply to the publication referred to in Subsection (2) above.

### Section 190

Upon receipt of notice from the competent supervisory authority of another Member State in regard to an insurance company that is registered under its jurisdiction and undergoing liquidation or similar proceedings, the Authority shall post a notice on its website on the opening of such proceedings and the effective consequences thereof.

### Section 191

(1) Within five days following publication of the final court ruling ordering liquidation, the liquidator shall post a notice on his own website and also on the websites of the insurance company and the Authority concerning:

- a) the opening of liquidation proceedings;
- b) the termination of insurance contracts, including the date of termination and the legal effects thereof;
- c) the contents of the ruling on liquidation;
- d) the legal consequences attached to specific deadlines connected to liquidation;
- e)<sup>4</sup> the sequence of satisfaction as per Sections 183-184 and Section 185/A;
- f) the means of accessing the information notice defined in Subsection (3) of Section 193 electronically.

➡(2)<sup>5</sup>

1 Established by Subsection (1) of Section 158 of Act LIII of 2016, effective as of 1 July 2016.

2 Enacted by Subsection (2) of Section 158 of Act LIII of 2016, effective as of 1 July 2016.

3 Enters into force as amended under Point 9 of Section 67 of Act CLXII of 2015.

4 Amended by Paragraph e) of Section 213 of Act CXLV of 2017.

5 Repealed by Paragraph c) of Section 65 of Act CIX of 2023, effective as of 1 January 2024.

(3) Within thirty days following publication of the final court ruling ordering liquidation, the liquidator shall individually convey in writing the information under Subsection (1) to all policyholders and insured persons, and known creditors who have their normal places of residence, head offices or branches in other Member States of the European Union.

(4) The information specified in Subsection (3) shall be provided in Hungarian, complete with the titles specified in Part B) of Annex 11.

(5) Persons with known claims for losses or for restitution, notified before the liquidation was ordered, shall be given the information referred to in Subsection (3) in the official language of the Member State where his normal place of residence, head office or branch is located.

### *Section 192*

Any creditor who has his normal place of residence, head office or branch in another Member State of the European Union shall lodge his claim in Hungarian or in the official language of his home Member State. If the claim is submitted in the official language of the home Member State, the title "Követelés benyújtása" [Lodgment of claim] shall be indicated in Hungarian as well.

### *Section 193*

(1) The liquidator shall be required to inform the Authority on the status of the liquidation procedure at the times prescribed by the Authority.

(2) At the request of the supervisory authorities of other Member States of the European Union, the Authority shall be required to provide information concerning the status of the liquidation procedure.

(3) The liquidator shall publish information on a regular basis, or at least once in a six-month period, for policyholders, insured persons and other creditors on his own website and also on the websites of the insurance company and the Authority.

### *Section 194<sup>1</sup>*

(1)<sup>2</sup> Of the technical provisions of accountancy, the chief executive officer of the insurance company shall close out the list of assets - from the asset register provided for in Subsection (1) of Section 109 and Subsection (1) of Section 212 - serving as cover for mathematical reserves and the reserves of unit-linked life insurance policies on the date of the opening of liquidation proceedings, and it shall be delivered to the liquidator together with the final statement of accounts provided for in the Bankruptcy Act.

(2) After the opening of liquidation proceedings, the composition of the assets listed in the register referred to in Subsection (1) may be altered only upon the Authority's consent, except for the correction of clerical errors.

(3) If the proceeds from the sale of the assets listed in the register referred to in Subsection (1) is less than their value shown in the register, the liquidator shall provide to the Authority an explanation for such deficiency.

(4) The liquidator shall add to the assets listed in the register referred to in Subsection (1) the earnings from such assets, and the premium income received in connection with the insurance portfolio affected after the opening of liquidation proceedings, until the portfolio transfer is completed, where applicable.

## **CHAPTER XV**

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1 Enters into force as under Section 38 of Act CLXII of 2015.

2 Established by Section 159 of Act LIII of 2016, effective as of 1 July 2016.



## COMMON PROVISIONS RELATING TO REORGANIZATION MEASURES AND LIQUIDATION PROCEEDINGS

### *76. Law applicable to certain contracts*

#### *Section 195*

(1)<sup>1</sup> As regards the legal aspects of any contract pertaining to the use or acquisition of a real estate property that is involved in reorganization measures and liquidation proceedings, the laws of the country in which the property is situated shall apply.

(2)<sup>2</sup> The legal effects of reorganization measures and liquidation proceedings with respect to the insurance company's right to a real estate property, ship or an aircraft subject to registration in a public register shall be governed by the law of the Member State under whose authority the register is kept.

(3) As regards the legal effects of reorganization measures and liquidation proceedings with respect to employment contracts the laws applicable to the given employment contract shall apply.

### *77. Rights in rem*

#### *Section 196*

(1) Reorganization measures or measures adopted in liquidation proceedings in other Member States shall not affect the rights in rem of creditors or third parties in respect of tangible or intangible, movable or immovable assets which belong to the insurance company and which are situated within the territory of Hungary at the time of the opening of such measures or proceedings.

(2) The rights referred to in Subsection (1) shall in particular mean:

a) the right to dispose of assets or have them disposed of and to obtain satisfaction from the proceeds of or income from those assets;

b) the exclusive right to have a claim met, in particular a right guaranteed by a lien in respect of the claim or by assignment of the claim by way of a guarantee;

c) the right to demand the assets from or to require restitution by anyone having possession or use of them contrary to the wishes of the party so entitled;

d) a right to the beneficial use of assets;

e) a right, recorded in a public register, under which a right in rem may be obtained.

#### *Section 197*

The rights attached to securities that are to be registered or kept in an account as a prerequisite for establishing or for the transfer of such right shall be subject to the laws of the Member State in which the register or account is kept.

## PART FIVE

## PROVISIONS RELATING TO REINSURANCE, SPECIAL PURPOSE VEHICLES AND CO-INSURANCE

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<sup>1</sup> Amended by Point 21 of Subsection (1) of Section 175 of Act LIII of 2016.

<sup>2</sup> Established by Section 160 of Act LIII of 2016, effective as of 1 July 2016.

## CHAPTER XVI

### COMPLEMENTARY RULES RELATING TO REINSURANCE AND SPECIAL PURPOSE VEHICLES

#### *78. Finite reinsurance*

##### *Section 198*

(1) Insurance and reinsurance companies which conclude finite reinsurance contracts or pursue finite reinsurance activities must be able to properly identify, measure, monitor, manage, control and report the risks arising from those contracts or activities.

(2) The provisions of Subsection (1) shall be applied in conjunction with the provisions adopted by the Commission within the meaning of Article 210(2) of the Solvency II Directive.

#### *79. Special purpose vehicles*

##### *Section 199<sup>1</sup>*

(1) In the territory of Hungary special purpose vehicles - with entitlement to assume risks from insurance and reinsurance companies - may be established upon the Authority's consent if it meets the requirements set out in the Commission regulation adopted within the meaning of Article 211(2)a)-g) of the Solvency II Directive.

(2) The Authority has exclusive jurisdiction to initiate the opening of liquidation proceedings in court against special purpose vehicles.

## CHAPTER XVII

### PROVISIONS RELATING TO CROSS-BORDER CO-INSURANCE OPERATIONS

#### *80. Scope of application of this Chapter*

##### *Section 200*

Sections 201-203 shall apply to co-insurance operations which shall be those co-insurance operations which relate to one or more risks classified under classes 3-16 of Part A) of Annex 1 and which fulfill the following conditions:

- a) the risk is a large risk;
- b) the risk is situated within the territory of the European Union;
- c) the contract defines the leading insurance company;
- d) at least one of the co-insurers participates in the co-insurance contract through:
  - da) a head office or
  - db) a branch established in a Member State other than that of the leading insurance company.

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1 Established by Section 161 of Act LIII of 2016, effective as of 1 July 2016.

*81. Derogating rules relating to co-insurance**Section 201*

(1) The rules laid down in Sections 284-285 shall apply to the leading insurance company named in the co-insurance contract.

(2) Where co-insurance is connected to compulsory motor vehicle liability insurance, the responsibility for the appointment of a claims representative shall lie with the leading insurance company in relation to the co-insurance contract.

*Section 202*

(1) In the case of co-insurance, technical provisions shall be provided by insurance companies participating in the co-insurance contract as commensurate with their respective share of underwriting obligations.

(2) The technical provisions provided by insurance companies participating in the co-insurance contract in accordance with Subsection (1) shall be at least equal to those determined by the leading insurance company according to the rules of its home Member State.

*Section 203*

Insurance companies participating in the co-insurance contract shall keep records showing the extent of co-insurance operations in which they participate and the Member States concerned.

## PART SIX

## PROVISIONS RELATING TO SMALL INSURANCE COMPANIES

**82. Scope and application***Section 204*

(1) The provisions of this Part shall apply to an insurance company which fulfills all the following conditions:

*a)*<sup>1</sup> the insurance company's annual gross written premium income does not exceed five million four hundred thousand euro;

*b)*<sup>2</sup> the total of the insurance company's technical provisions, gross of the amounts recoverable from reinsurance contracts and special purpose vehicles does not exceed twenty-six million six hundred thousand euro, furthermore, where the insurance company belongs to a group, the total of the technical provisions of the group defined as gross of the amounts recoverable from reinsurance contracts and special purpose vehicles does not exceed twenty-six million six hundred thousand euro;

*c)* the business of the insurance company does not include insurance or reinsurance activities covering liability, credit and suretyship insurance risks, unless they constitute ancillary risks within the meaning of Section 47;

*d)* the business of the insurance company does not include:

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1 Amended by Paragraph f) of Subsection (2) of Section 45 of Act XX of 2022.

2 Amended by Paragraph g) of Subsection (2) of Section 45 of Act XX of 2022.

*da*)<sup>1</sup> reinsurance operations exceeding six hundred thousand euro of its gross written premium income,

*db*)<sup>2</sup> reinsurance operations exceeding two million six hundred thousand euro of its technical provisions gross of the amounts recoverable from reinsurance contracts and special purpose vehicles,

*dc*) reinsurance operations exceeding ten per cent of its gross written premium income or more than ten per cent of its technical provisions gross of the amounts recoverable from reinsurance contracts and special purpose vehicles.

(2) In addition to what is contained in Subsection (1), the provisions set out in this Part shall apply to all companies seeking authorization to pursue insurance and reinsurance activities of which the annual gross written premium income or technical provisions gross of the amounts recoverable from reinsurance contracts and special purpose vehicles are expected - as determined based on the five-year business plan submitted to the Authority - not to exceed any of the amounts set out in Subsection (1) within the following five years.

### *Section 205*

(1) The provisions set out in Parts One through Four shall also apply - subject to the derogations provided for in this Part - to small insurance companies provided for in Section 204.

(2) The provisions set out in Parts One through Four shall apply to all companies seeking authorization to pursue insurance and reinsurance activities of which the annual gross written premium income or technical provisions gross of the amounts recoverable from reinsurance contracts and special purpose vehicles are expected - as determined based on the five-year business plan submitted to the Authority - to exceed any of the amounts set out in Subsection (1) of Section 204 within the following five years.

### *Section 206*

(1) If the insurance company exceeds any of the amounts set out in Subsection (1) of Section 204 for two consecutive years the Authority shall order the insurance company to supply information on an ad hoc basis as from the third year.

(2) If the ad hoc disclosure of data reveals that the insurance company exceeds the amounts set out in Subsection (1) of Section 204 for three consecutive years, the provisions set out in Parts One through Four shall apply to the insurance company without the derogations set out in this Part as from the fourth year.

### *Section 207*

The provisions set out in Parts One through Four shall apply with the derogations set out in this Part to those insurance companies for which the Authority has verified that all of the following conditions are met:

*a*) none of the amounts set out in Subsection (1) of Section 204 has been exceeded by the insurance company for the three previous consecutive years;

*b*) none of the amounts set out in Subsection (1) of Section 204 is expected to be exceeded by the insurance company - relying on its scheme of operations - during the following five years.

### *Section 208*

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<sup>1</sup> Amended by Paragraph h) of Subsection (2) of Section 45 of Act XX of 2022.

<sup>2</sup> Amended by Paragraph i) of Subsection (2) of Section 45 of Act XX of 2022.

(1) Sections 204-207 shall not prevent any insurance company from applying the provisions set out in Parts One through Four for authorization or continuing to be authorized under the provisions set out in Parts One through Four.

(2) For as long as the insurance company established in Hungary:

*a)* wishes to pursue,

*b)* pursues,

insurance activities in another Member State within the framework of cross-border services, the derogations set out in this Part shall not apply.

## CHAPTER XVIII

### DEROGATING RULES RELATING TO SMALL INSURANCE COMPANIES

#### *83. Derogations in terms of organization and activities*

##### *Section 209*

(1) The provisions set out in Section 8 shall not apply to limited insurance companies.

(2)<sup>1</sup> The provisions set out in Paragraphs *e)*-*f)* of Subsection (1) of Section 55, Sections 65-68, Sections 76-84, Sections 86-90 and in Subsections (4)-(6) of Section 94 shall not apply to small insurance companies.

(3) The amount of the minimum guarantee fund provided for in Paragraph *b)* of Subsection (1) of Section 93 shall be determined separately for classes of insurance and organizational types according to the provisions of the Government Decree on the Solvency Margin and Technical Provisions of Insurance and Reinsurance Companies relating to guarantee funds.

(4) By way of derogation from Subsection (1) of Section 62, the signature of the small insurance company's chief accounting officer shall be required, in addition to the chief executive officer's signature, to verify that the annual account submitted to the Authority, the asset register provided for in Section 109 and the annual report are true and correct.

##### *Section 210*

(1) By way of derogation from Subsection (4) of Section 71, in addition to auditing the annual account the auditor shall also examine:

*a)* as to whether the technical provisions and the technical provisions of accountancy indicated in the annual account are sufficient and whether the value of the assets covering such provisions are in compliance with regulations,

*b)* compliance with the provisions relating to annual accounts, solvency margin, capital requirements, technical provisions of accountancy, and the accuracy of the calculation of the solvency margin and technical provisions of accountancy,

*c)* compliance with the provisions set out in Paragraphs *b)*-*d)* of Subsection (4) of Section 71.

(2) Upon conclusion of the audit, the auditor must record his findings on the issues specified in Subsections (1) and (3) in a separate supplementary report and send it to the management body, the chief executive officer, the chair of the supervisory board, and the Authority in the following year, together with the annual report.

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1 Established by Section 287 of Act LXXXV of 2015, effective as of 2 January 2016.

(3) In the supplementary report referred to in Subsection (2), the auditor shall indicate as to whether the technical provisions of accountancy indicated in the annual account are sufficient and whether the value of the assets covering such provisions are in compliance with this Act.

(4) The auditor shall evaluate in writing the technical provisions of accountancy of the insurance company broken down by type of provision and branch of insurance, and shall give such detailed review to the insurance company.

### *Section 211*

(1) By way of derogation from Subsection (1) of Section 58, the signature of the small insurance company's senior actuary shall be required to verify:

a) the accuracy of the technical provisions of accountancy contained in the annual account in terms of implementation and size;

b) the accuracy of the calculation of the solvency capital requirement;

c) the distribution of the return on investment in the life insurance branch;

d) the correctness of premium calculations; and

e) the authenticity of the reserves and the data pertaining to Paragraphs a)-d).

(2) In connection with what is contained in Subsection (1), the senior actuary of the small insurance company shall also verify that the data available are sufficient, complete and consistent and that the methods applied conform to the nature of the risks.

(3) The senior actuary of the small insurance company shall submit an actuarial report enclosed with, and related to, the annual account submitted to the Authority for the purpose of facilitating supervisory control.

(4) Subsection (3) of Section 58 shall not apply to the senior actuaries of small insurance companies.

(5) The content requirements for the actuary's report shall be decreed by the Governor of the Magyar Nemzeti Bank (*National Bank of Hungary*).

## *84. Records of assets*

### *Section 212*

(1)<sup>1</sup> Of the technical provisions of accountancy, insurance companies shall keep separate records of the assets they use to cover their technical provisions and unit-linked life insurance provisions broken down according to the categories specified in Annex 6.

(2)<sup>2</sup> The total value of the insurance company's assets shown in the asset register shall equal the prescribed amount of the provisions provided for in Subsection (1).

(3) Insurance companies shall keep records on their real estate properties that are used for insurance operations and on ownership interests in business associations separately.

## *85. Scheme of operations*

### *Section 213*

(1) The scheme of operations shall specify the scope of the insurance activities and the important facts and information from the perspective of performing the commitments undertaken in the insurance contract, particularly:

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1 Enters into force as under Section 40 of Act CLXII of 2015.

2 Enters into force as under Section 40 of Act CLXII of 2015.

a) the requirements set out in Paragraphs a), b) and d) of Subsection (1) of Section 95; and

b) the amount and composition of the capital required for starting up the activities.

(2) In addition to the requirements set out in Subsection (1), for the first three financial years of the insurance company's operations the scheme shall include the following:

a) estimates of management expenses, in particular acquisition costs, current general expenses and commissions;

b) the proposed number of policies and the proceeds from premium payments for each product;

c) the estimated ratio between premium income and settlements for each product;

d) the forecast liquidity position;

e) estimates of the financial resources intended to cover underwriting liabilities from insurance contracts and the minimum solvency capital requirement, and the guarantee fund;

f) a forecast balance sheet.

(3) In addition to what is contained in Subsection (2), the scheme of operations shall specify any plans pertaining to reinsurance, showing separately the estimated proceeds and expenses regarding reinsurance.

#### *86. Conditions for outsourcing in the case of small insurance companies*

#### *Section 214*

(1) The following administration processes of small insurance companies may not be outsourced:

a) organizational arrangements of the insurance company;

b) underwriting risks;

c) internal control;

d) balance sheet analysis and solvency margin calculation;

e) staffing decisions;

f) conclusion of reinsurance contracts.

(2) This restriction provided for in Subsection (1) shall not apply to the expert services necessary for the performance of functions that cannot be outsourced.

(3) The insurance company shall notify the Authority in the annual report concerning the outsourcing of:

a) actuarial duties;

b) electronic data processing;

c) claim adjustment;

d) asset management.

(4) The notification referred to in Subsection (3) shall contain a notice concerning the outsourcing arrangement, the name and address of the outsourcing service provider and the duration of outsourcing.

(5) Outsourcing contracts shall contain the following:

a) the obligations and responsibilities on the part of the outsourcing service provider concerning any and all confidential insurance information it obtains during its activities and the measures to be taken in order to protect such secrets;

b) the outsourcing service provider's consent for the control of the outsourced activities by the insurance company's internal controller and its auditor, and by the Authority;

c) the outsourcing service provider's responsibility for performing the activity at an appropriate level;

d) the detailed requirements for the expected quality of performance of the activities;

e) the prospect of cancellation of the contract by the insurance company with immediate effect in the event of any infringement or upon the outsourcing service provider's repeated or serious breach of the contract.

(6) The insurance company must install a clause in the outsourcing contract to instruct its contractual partner to cooperate fully with officers conducting any form of regulatory inspection and to release any data, documents and information related to the outsourced activity. If outsourcing involves the insurance company conveying the personal data of its clients to the outsourcing service provider, the underlying contract shall contain provisions laying down the rules of data processing and the provisions on data protection.

(7) If outsourcing involves the insurance company conveying the personal data of its clients to the outsourcing service provider, data processing performed by the outsourcing service provider shall be treated as carried out on behalf of the insurance company.

(8) Outsourcing of administration processes can take place on condition that the insurance company retains control and supervision of the outsourced activities.

### *87. Rules relating to technical provisions, the solvency margin and to the guarantee fund*

#### *Section 215*

(1) In order to provide adequate guarantees for safe operations, insurance companies shall establish technical provisions of accountancy to cover their underwriting obligations in effect on the balance sheet date, future liabilities, any fluctuation in claims, and any losses from insurance operations.

(2) Insurance companies shall establish said technical provisions of accountancy in accordance with the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies.

#### *Section 216*

(1) In order to be able to meet their underwriting liabilities from insurance contracts at any given time, insurance companies shall maintain a minimum solvency margin for each class of insurance equivalent to the minimum solvency capital requirement consistent with the size of the insurance company's business operations.

(2) Insurance companies shall establish said solvency margin in accordance with the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies.

#### *Section 217*

(1) Insurance companies shall possess guarantee fund at all times.

(2) One third of the minimum solvency capital shall constitute the insurance company's guarantee fund if it is greater than the minimum guarantee fund referred to in Section 218, in all other instances, the guarantee fund of an insurance company shall be the same as the minimum guarantee fund defined in Section 218.

#### *Section 218*

(1) The minimum guarantee fund for limited companies and cooperative societies shall be:

a) in the life insurance branch one billion forints;



*b)* six hundred and fifty million forints for non-life insurance companies, however, in the case of insurance companies authorized to pursue either one of the classes 10-15 listed in Part A) of Annex 1, it shall be one billion forints;

*c)* eight hundred and fifty million forints for non-life insurance companies engaged in reinsurance activities, however, in the case of non-life insurance companies engaged in reinsurance activities authorized to pursue either one of the classes 10-15 listed in Part A) of Annex 1, it shall be one billion forints, if in the case of these insurance companies;

*ca)* the reinsurance premiums collected exceed ten per cent of its total premium, or

*cb)* the technical provisions resulting from its reinsurance acceptances exceed ten per cent of its total technical provisions of accountancy.

(2) The minimum guarantee fund for mutual associations shall be seventy-five per cent of the limits specified in Subsection (1), subject to the exceptions set out in Subsections (3) and (4).

(3) Instead of the amount specified in Subsection (2):

*a)* for the mutual associations under Subsection (2), if the total amount of the association's annual premium income and revenue from membership fees has, during the previous three financial years:

*aa)* reached one billion and one hundred million forints at least once, the minimum guarantee fund shall be sixty per cent of the amount referred to in Subsection (2),

*ab)* reached nine hundred million forints at least once and never reached one billion and one hundred million forints, the minimum guarantee fund shall be forty per cent of the amount referred to in Subsection (2),

*ac)* reached six hundred million forints at least once and never reached nine hundred million forints, the minimum guarantee fund shall be twenty per cent of the amount referred to in Subsection (2),

*ad)* reached three hundred million forints at least once and never reached six hundred million forints, the minimum guarantee fund shall be ten per cent of the amount referred to in Subsection (2),

*ae)* reached one hundred and fifty million forints at least once and never reached three hundred million forints, the minimum guarantee fund shall be five per cent of the amount referred to in Subsection (2),

*af)* never reached one hundred and fifty million forints, the minimum guarantee fund shall be two and half per cent of the amount referred to in Subsection (2);

*b)* for the mutual associations engaged exclusively in classes 8, 9 and 18 under Part A) of Annex 1, if:

*ba)* reached one billion forints at least once, the minimum guarantee fund shall be seventy-five million forints,

*bb)* reached seven hundred and fifty million forints at least once and never reached one billion forints, the minimum guarantee fund shall be fifty million forints,

*bc)* reached five hundred million forints at least once and never reached seven hundred and fifty million forints, the minimum guarantee fund shall be twenty-five million forints,

*bd)* reached two hundred and fifty million forints at least once and never reached five hundred million forints, the minimum guarantee fund shall be twelve million forints,

*be)* reached one hundred and twenty-five million forints at least once and never reached two hundred and fifty million forints, the minimum guarantee fund shall be six million forints,

*bf)* never reached one hundred and twenty-five million forints, the minimum guarantee fund shall be three million forints.

(4) For the mutual associations referred to in Paragraph *b)* of Subsection (3), upon their request, the Authority may authorize that eighty per cent of the minimum guarantee fund be offset by reinsurance.

(5) The minimum guarantee fund requirements prescribed for each class of insurance will be aggregated for the insurance companies authorized to conduct both life insurance and non-life insurance business.

#### *Section 219*

The provisions set out in Sections 96-106 and Section 108 shall not apply to small insurance companies.

#### *88. Derogating rules relating to investments*

#### *Section 220*

(1) The assets of the insurance company covering the solvency margin and the technical provisions of accountancy shall be invested with a view to their purpose and the class of insurance pursued and the maturity of liabilities in such a manner as to guarantee the insurance company's liquidity at all times while providing the highest yield under the safest conditions attainable.

(2) In the case of assets covering the technical provisions of accountancy, in order to achieve the highest degree of safety, the insurance company shall diversify its investments and strive to reduce risk factors within a specific form of investment by spreading investment-related risks.

(3) With regard to the investment of technical provisions of accountancy, insurance companies must also observe the provisions laid down in Annex 8, except for the reserves of unit-linked life insurance policies.

(4) The insurance company's technical provisions of accountancy may be kept in the assets provided for in Annex 6.

#### *Section 221*

(1) The share held by an insurance company in another limited company shall not reach seventy-five per cent of the subscribed capital of that limited company unless it is another insurance company, a credit institution, financial enterprise, investment firm or investment fund manager.

(2) With regard to the investment of technical provisions of accountancy, the share held by the insurance company in another company shall not exceed twenty-five per cent of the subscribed capital of that company.

(3) Insurance companies may not invest their assets used to cover mathematical provisions in a company of an owner with a qualifying interest that is not engaged in the insurance business, unless its activities are directly connected to the activities of the insurance company predominantly.

(4) The investment restrictions prescribed in Subsections (1)-(2) shall not apply to a company under contract with the insurance company for outsourcing or for insurance operations if at least seventy-five per cent of the annual revenue originates from services provided to the insurance company in question.

(5) For the investment of funds from the technical provisions of accountancy, other than mathematical provisions and the reserves of unit-linked life insurance policies, liquidity shall be the single most important criterion.

#### *Section 222*

(1) In connection with the investment of assets covering technical provisions of accountancy, the following principles shall be complied with:

a) assets covering technical provisions of accountancy shall be valued net of all debts arising out of, or in connection with, the purchase or acquisition of such assets;

b) loans - whether to economic operators, to the State or international organizations, to local or regional authorities or to natural persons - may be accepted as cover for technical provisions of accountancy only if the borrower is able to produce sufficient guarantees as to their security, whether these are based on the status of the borrower, mortgages, guarantees provided by credit institutions, insurance or other forms of security, with the exception of the loans referred to in Paragraph f) of Subsection (2) of Section 223;

c) debts owed by and claims against a third party may be accepted as cover for technical provisions of accountancy only after the deduction of all of the amounts owed to the same third party.

(2) Any asset that is mortgaged or whose disposition is restricted shall not be included in the cover for technical provisions of accountancy of an insurance company.

(3) Investment units issued by an investment fund investing in derivative instruments under the Government Decree on the Investment and Borrowing Policies of Collective Investment Trusts shall not be included in the cover for technical provisions of accountancy of an insurance company.

### Section 223

(1) Assets constituting cover for technical provisions of accountancy shall be kept on the territory of Member States or shall be placed in instruments issued by:

a) any Member State of the Organization for Economic Cooperation and Development (hereinafter referred to as "OECD");

b) any local or regional authority of an OECD Member State;

c) economic operators established in any OECD Member State;

d) an international organization of which one or more Member States are members.

(2) With the exception of funds covering the reserves of unit-linked life insurance policies, the following restrictions shall apply with respect to assets constituting cover for technical provisions of accountancy:

a) of the instruments enumerated in Paragraph a) of Annex 6, the ones without a State guarantee or other form of security shall not account for more than twenty-five per cent of the assets covering technical provisions of accountancy;

b) the instruments enumerated in Paragraph c) of Annex 6 shall not account for more than thirty-five per cent of the assets covering technical provisions of accountancy;

c) the instruments enumerated in Paragraph d) of Annex 6 may be taken into account covering up to thirty-five per cent of the assets covering technical provisions of accountancy;

d) the value of any given real estate property (land, building) of the insurance company shall not account for more than ten per cent of the assets covering the total of gross technical provisions. This rule applies to any number of adjacent real estate properties which are effectively considered as one investment;

e) the insurance company shall not invest more than five per cent of its total gross technical provisions in shares and other negotiable securities treated as shares, bonds, debt securities and other money and capital market instruments from the same company, or in loans granted to the same borrower, taken together, the loans being loans other than those granted to a state, regional or local authority or to an international organization of which one or more Member States are members. This limit may be raised to ten per cent of the reinsurance company's gross technical provisions if it does not invest more than forty per cent of its gross technical provisions in the said loans or securities;

f) the insurance company shall not invest more than five per cent of its total gross technical provisions in unsecured loans, including one per cent for any single unsecured loan, other than loans granted to credit institutions, insurance companies or investment firms established in a Member State;

g) up to three per cent of the insurance company's gross technical provisions may be covered by cash holdings;

h) the insurance company shall not invest more than ten per cent of its gross technical provisions in shares, participations and bonds that are not traded on a regulated market;

i) the insurance company shall not invest more than ten per cent of its gross technical provisions in investment units of a single investment fund or collective investment instruments issued by a single collective investment trust;

j) the insurance company may invest no more than five per cent of its gross technical provisions in special purpose instruments.

(3) The assets enumerated in Paragraph h) of Annex 6 shall not account for more than five per cent of the assets covering the gross technical provisions on the aggregate.

(4) The combined market value of derivative transactions that were not offset by netting, calculated in accordance with the asset valuation regulations, may not exceed fifteen per cent of the market value of securities covering the total gross technical provisions of the insurance company.

(5) The restrictions set out in Subsection (2) shall not apply to instruments issued by international financial institutions of which one or more Member States are members.

#### Section 224

(1) The combined total value of investment units of close-ended real estate funds and close-ended collective investment instruments placed in real estate and investment units of open-ended real estate funds and open-ended collective investment instruments placed in real estate and real estate properties shall not account for more than twenty per cent of the liquid assets covering mathematical provisions.

(2) Investment units of investment funds investing in securities shall not account for more than thirty-five per cent of the liquid assets covering mathematical provisions.

(3) The combined total value of bonds unaccompanied by a guarantee provided by a credit institution, any other debt security or loan, securities and bonds that are not traded on a regulated market shall not account for more than fifteen per cent of the liquid assets covering mathematical provisions.

(4) Deposits with credit institutions and any other body authorized to receive deposits shall not account for more than twenty-five per cent of the liquid assets covering mathematical provisions.

(5) The combined market value of derivative transactions that were not offset by netting, calculated in accordance with the asset valuation regulations, may not exceed five per cent of the market value of instruments covering mathematical provisions.

(6) The limit set out in Subsection (5) hereof and in Subsection (4) of Section 223 shall not include:

a) derivative transactions concluded to reduce currency exchange and interest-rate risks;

b) repo transactions concluded with credit institutions relating to government securities.

#### Section 225

(1) Derivative instruments must be valued on a prudent basis and may be taken into account in the valuation of the underlying assets.

(2) Derivative transactions shall be governed by the provisions of the Government Decree on the Investment and Borrowing Policies of Collective Investment Trusts pertaining to derivative transactions, with the exception that investment fund shall be construed as the insurance company, investment fund net asset value shall be construed as assets covering technical provisions, and the investment fund's management policy shall be construed as the asset valuation policy of the insurance company.

(3) An insurance company may not conduct any transaction that would result in a short net position if it uses the netting rules prescribed in connection with the general provisions of the Government Decree on the Investment and Borrowing Policies of Collective Investment Trusts pertaining to derivative transactions, with the exception of index-driven derivative transactions which may be offset against securities listed in the index basket, if comprising at least eighty per cent of the securities comprised in the index basket.

(4) Insurance companies shall, at all times, have liquid assets of sufficient offset value to cover the entire balance between all contract prices of derivative long positions and existing variable deposits in addition to the liquid assets required for normal conduct of business or regular business operations. The offset value shall be the same as the sum held in a bank deposit, whether payable on demand or tied up for no more than thirty days, or eighty-five per cent of the market value of other liquid assets.

#### *Section 226*

(1) All debts and claims must be valued on a prudent basis, allowing for the risk of non-payment. In particular, tangible fixed assets other than land and buildings may be accepted as cover for technical provisions of accountancy only if they are valued on the basis of prudent amortization.

(2) The value of assets accepted as cover for technical provisions of accountancy must be calculated on a prudent basis with due allowance for the risk of any amounts not being realizable. Debts owed by policyholders and intermediaries may be accepted only in so far as they have been outstanding for not more than three months.

(3) Deferred acquisition costs may only be accepted as cover for mathematical provisions if they are consistent with the calculation of the technical provision for unearned premiums.

#### *Section 227*

(1) With respect to the assets for which Subsections (2)-(3) of Section 223 and Subsections (1)-(6) of Section 224 contain no limits, the following principles shall apply:

a) in accordance with what is contained in Subsection (2) of Section 220, the investment portfolio is to be diversified and spread in such a way as to ensure that there is no excessive reliance on any particular category of asset;

b) investment in particular types of asset which show high levels of risk, whether because of the nature of the asset or the quality of the issuer, must be restricted to prudent levels;

c) with respect to Paragraph f) of Annex 6, determining the value of claims from a reinsurance company must take account of the treatment of reinsurance;

d) where the assets held include an investment in a subsidiary company which manages all or part of the insurance company's investments on its behalf, the provisions laid down in this Section shall apply to the valuation of assets held by the subsidiary company, and also of the shares held in other subsidiaries;

e) the percentage of non-liquid investments must be kept to a prudent level;

f) loans to or debt securities issued by certain credit institutions may be accepted as cover for the investment of technical provisions of accountancy, where the credit institution has its head office in a Member State, is entirely owned by that Member State and/or that Member State's local authorities and its business consists of extending loans to or guaranteed by the state or local authorities or loans to bodies closely linked to the state or local authorities.

(2) The forty per cent limit laid down in Paragraph e) of Subsection (2) of Section 223 may be raised upon the Authority's consent in the case of mortgage bonds and certain securities when these are issued by a credit institution that has its head office in a Member State and is subject by law to special official supervision designed to protect the holders of those securities. The sums deriving from the issue of such securities must be invested in accordance with the law in assets that, during the whole period of validity of the securities, are capable of covering claims attaching to the securities and that would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

(3) Insurance companies shall be free to choose from investment instruments enumerated in Annex 6 in due consideration of the investment restrictions.

(4) In exceptional circumstances and at an insurance company's request, the Authority may, temporarily and under a properly reasoned decision, allow exceptions to the rules laid down in Annex 6 concerning investment categories and in Sections 222-223 concerning restrictions.

(5) Any dispute as to which lawful investment category a particular type of investment belongs shall be decided by the Authority.

#### *Section 228*

(1) The provisions of Subsections (2)-(4) of Section 223, Section 224, and Paragraphs a), b), d), e) and f) of Subsection (1) of Section 227 and Subsections (2) and (3) of Section 227 shall not apply to the investment of the reserves of unit-linked life insurance policies. Insurance companies shall invest their reserves of unit-linked life insurance policies in a structure consistent with their current liabilities.

(2) If unit-linked life insurance policies feature capital or yield guarantees, the provisions of Subsections (2)-(3) of Section 223, Subsections (1)-(6) of Section 224, and Paragraphs a), b), d), e) and f) of Subsection (1) of Section 227 and Subsections (2)-(3) of Section 227 shall be observed with respect to additional provisions established for covering such guarantees.

#### *Section 229*

Insurance companies shall be required to report to the Authority quarterly on the amount of their mathematical provisions, the reserves for pending claims and reserves of unit-linked life insurance policies as well as the manner in which such provisions are invested by the fifteenth working day of the month following the quarter to which it pertains and, for the last quarter, by 31 January following the subject year.

### **CHAPTER XIX**

#### **DEROGATING RULES RELATING TO SMALL INSURANCE COMPANIES OPERATING IN THE FORM OF MUTUAL ASSOCIATIONS**

##### *89. Scope of application of this Chapter*

*Section 230*

(1)<sup>1</sup> Having regard to any mutual association whose premium income and revenues from membership fees for a year does not reach six hundred million forints in three consecutive years (a mutual association that meets said condition hereinafter referred to as “small mutual association”) shall apply the derogations defined in Parts One through Four, as provided for in this Part, subject to the derogations provided for in this Chapter.

(2) If the mutual association exceeds the amount set out in Subsection (1) for three consecutive years, the derogations set out in this Chapter shall not apply as from the fourth year.

*90. Derogations in terms of organization and activities**Section 231*

(1) Small mutual associations shall inter alia employ a chief executive officer; the employment of other senior executives is not mandatory.

(2) The services of the chief executive officer may inter alia be procured by means of personal service contract.

*Section 232*

The authorization to represent the small mutual association - including disposition over the payment account - conferred upon members of the administrative and representative organ and the chief executive officer, or their deputies, may be joint or single.

*Section 233*

(1) Small mutual associations may inter alia procure the services of the non-management officers defined in Paragraphs *a)-c)* of Subsection (1) of Section 55 by way of personal service contract, or may engage an independent organization to render such services, provided the organization employs persons who satisfy the requirements specified in Paragraphs *a)-d)* of Subsection (1) of Section 55, Paragraphs *a)-d)* of Subsection (1) of Section 59, and Paragraphs *a)-e)* of Subsection (1) of Section 61.

(2) In the case of small mutual associations, the non-management officers of an insurance company providing reinsurance to the association shall also be acceptable by the Authority in the function of non-management officer referred to in Paragraphs *a)-c)* of Subsection (1) of Section 55.

(3) Small mutual associations are not required to employ non-management officers provided for in Paragraphs *d)-f)* of Subsection (1) of Section 55.

(3a)<sup>2</sup> Small mutual associations engaged exclusively in classes 8 and 9 under Part A) of Annex 1 are not required to employ a non-management officer.

(4) Small mutual associations are not required to employ an auditor.

*Section 234*

(1) In small mutual associations, if the same senior executive is re-elected or re-appointed upon the expiry of his mandate, the small mutual association shall notify the Authority thereof.

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1 Amended by Subsection (1) of Section 45 of Act XX of 2022.

2 Enacted by Section 166 of Act CXLV of 2017, effective as of 23 February 2018.

(2) In the case provided for Subsection (1) hereof, the procedure for granting authorization under Section 53 need not be carried out, and the application submitted therefor shall be construed as the notification referred to in Subsection (1).

#### *Section 235*

(1) In the case of small mutual associations - if the statutes so provides - Subsection (2) of Section 17 shall not preclude the admission of members of special legal status in the absence of an insurance contract.

(2) The statutes of small mutual associations need not provide for Paragraph *h*) of Subsection (1) of Section 21.

(3) In connection with small mutual associations Sections 26-30 shall not apply.

(4)<sup>1</sup> Small mutual associations are not required to draw up a product strategy and Section 131/A shall not apply to them.

#### *Section 236*

(1) As regards small mutual associations the obligation of data disclosure towards the Authority may be satisfied by way of the trade organization of small mutual associations as well.

(2)<sup>2</sup> As regards small mutual associations, Paragraph *e*) of Subsection (1) and Subsections (3)-(6) of Section 94 shall not apply.

(3) In the case of small mutual associations the provisions of Section 159 shall not apply.

(4)<sup>3</sup> In the case of small mutual associations engaged exclusively in classes 8 and 9 under Part A) of Annex 1, the provisions of Section 134/A shall not be applicable.

### PART SEVEN

## SUPERVISION OF INSURANCE AND REINSURANCE COMPANIES

### CHAPTER XX

#### AUTHORIZATIONS

#### *Section 237*

(1) The Authority's authorization shall be required:

*a*) for the foundation of insurance and reinsurance companies;

*b*) for starting up the business of insurance and reinsurance, and for the commencement of activities involved in or closely related to insurance and reinsurance activities;

*c*) for the commencement of insurance and reinsurance activities by a branch to be established by a third-country insurance or reinsurance company, and for the commencement of activities involved in or closely related to insurance and reinsurance activities;

*d*) for providing advantages to the branches authorized in several Member States of a third-country insurance or reinsurance company;

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<sup>1</sup> Established by Section 167 of Act CXLV of 2017, effective as of 23 February 2018.

<sup>2</sup> Established by Section 288 of Act LXXXV of 2015, effective as of 2 January 2016.

<sup>3</sup> Enacted by Section 168 of Act CXLV of 2017, effective as of 23 February 2018.



e) for making changes in, or the termination of, insurance and reinsurance activities;

f) for the application of the full or partial internal model, for major changes to an internal model and changes to the policy for changing an internal model, for returning to the standard model, and for the use of specific items within the insurance company's standard model;

g) for determining ancillary own-fund items, and for the assessment and classification of own-fund items which are not covered by the list established in accordance with the implementing measures adopted by the Commission for the classification into tiers of own-fund items within the meaning of Article 97(1) of the Solvency II Directive;

h) for the transfer of insurance or reinsurance portfolio;

i) for the transformation, merger and division of insurance and reinsurance companies;

j) for setting up an insurance company by a Hungarian insurance or reinsurance company in a third country, or for the acquisition by a Hungarian insurance or reinsurance company of a share in an insurance or reinsurance company established in a third country, for establishing a branch in a third country;

k) for the acquisition of a qualifying interest in a limited insurance or reinsurance company, or in a cooperative insurance company;

l) for the transfer of additional capital if there is a solvency deficit in any class of insurance in the case of insurance companies authorized to conduct both life insurance and non-life insurance business;

m) for the employment, appointment, delegation or election of any senior executive or non-management officer;

n) for the employment or delegation of a principal agent;

o)<sup>1</sup> for exemption from the publication of information provided for in the Government Decree on the Contents and Means of Publication of Solvency and Financial Condition Reports Connected to Insurance and Reinsurance Activities, or for the use of other means of publication or for making reference thereto.

(2) As regards the insurance companies covered by Part Six, the Authority's approval is required:

a) for the actions defined in Paragraphs a)-e) and h)-n) of Subsection (1);

b) for the investment of the technical provisions of accountancy of insurance companies in excess of the limits defined in this Act, and for any deviation from the categories of assets;

c) for the inclusion of reinsurance to the extent specified in Subsection (4) of Section 218.

(3) Setting up a special purpose vehicle shall be subject to authorization by the Authority.

(4) The Authority shall decide all matters of authorization on the basis of the provisions of this Act and other regulations on insurance and with due consideration to the interests of clients and the fulfillment of the commitments of insurance companies.

(5) The administrative time limit for deciding requests relating to the use of the internal model in full or in part shall be six months.

### *91. Authorization of the foundation of insurance and reinsurance companies*

#### *Section 238*

Applications for authorization shall be accompanied by:

a) the draft of the articles of association, which clearly defines the type and sphere of activities of the insurance or reinsurance company to be established;

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1 Enters into force as under Section 41 of Act CLXII of 2015.

b) estimates of the costs of setting up a department for carrying out administrative services and business operations, and proof of the financial resources intended to meet those costs deposited in a credit institution;

c) natural identification data of the senior executives to be shown in the register of companies of the insurance or reinsurance company to be established, and documents in proof of compliance with the requirements set out in Subsection (1) of Section 54;

d) in the case of third-country natural persons, if having no permanent residence in Hungary, or if the founder is a third-country entity other than a natural person, a statement concerning the applicant's agent for service of process;

e) in the case of a limited insurance or reinsurance company to be established, information on shareholder such as identification data and the shares they have, and also on the holders of qualifying interests and the percentage of their qualifying interest;

f) particulars of persons - other than those covered by Paragraph e) - having a close link with the limited insurance or reinsurance company to be established;

g) in the case of insurance and reinsurance companies that are subject to group or supplementary supervision, a description of the apparatus for the conveyance of information related to group or supplementary supervision and a statement from the persons with a close link to the insurance or reinsurance company guaranteeing to provide the Authority with the data, facts and information that are necessary for carrying out group or supplementary supervision;

h) a statement from each natural person with a close link to the insurance or reinsurance company containing his consent to have the personal data he has disclosed to the insurance or reinsurance company processed and released for the purposes of carrying out group or supplementary supervision in accordance with this Act.

### Section 239

(1) If there is a person among the founders of a limited insurance or reinsurance company, or a cooperative insurance or reinsurance company who wishes to acquire a qualifying interest in the insurance or reinsurance company to be established, the following must be enclosed - subject to the exception set out in Subsection (2) - to the application for authorization in addition to what is contained in Section 238:

a) proof of compliance with the requirements set out in Paragraphs b)-g) and i)-k) of Subsection (3) of Section 258;

b) proof of compliance with the requirements set out in Subsection (5) of Section 258; and

c) proof of compliance with fit and proper requirements.

(2)<sup>1</sup> If the applicant is a Hungarian citizen or an entity other than a natural person established in Hungary, the documents for verifying the details specified in Paragraphs d), e) and i) of Subsection (3) of Section 258 shall be obtained by the Authority.

### Section 240

(1) In the course of authorizing the establishment of a insurance or reinsurance company, the Authority shall contact the competent supervisory authority of another Member State of the European Union if the insurance company proposed to be established:

a) is a subsidiary of an investment firm, credit institution, insurance company or reinsurance company established in another Member State;

b) is a subsidiary of the parent company of an investment firm, credit institution, insurance company or reinsurance company established in another Member State;

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<sup>1</sup> Established by Subsection (3) of Section 483 of Act L of 2017, effective as of 1 January 2018.

c) has an owner with controlling influence, whether a natural or legal person, that has also controlling influence in an investment firm, credit institution or insurance or reinsurance company that is established in another Member State.

(2) The Authority shall consult the supervisory authority of the other Member State concerned when assessing the suitability of the shareholders of another company of the same group, and compliance with the requirements applicable to senior executives and non-management officers.

(3) At the request of the supervisory authority of the other Member State concerned, the Authority shall make available any information regarding the suitability of shareholders and compliance with the requirements applicable to senior executives and non-management officers, which - relying on the request of the supervisory authority concerned - may be of relevance to the other competent authorities concerned for the granting of an authorization as well as for the ongoing assessment of compliance with operating conditions.

### *Section 241*

(1) The Authority shall refuse to grant authorization for establishment if:

a) any information provided by the applicant in the authorization procedure is false or misleading;

b) the application fails to satisfy the requirements laid down in Sections 238-239, or in the event of failure to remedy deficiencies;

c) the organizational structure of the proposed insurance company is not in compliance with the requirements set out in this Act;

d) the head office and the registered office is not situated in the same country.

(2) In addition to what is contained in Subsection (1), the Authority shall reject the application for authorization of establishment if it learns about any facts, information or circumstance based on which it is liable to be prevented from effectively exercising its supervisory functions over the insurance or reinsurance company, in particular:

a) if the activities of any direct or indirect owner of the insurance or reinsurance company or his influence on the insurance or reinsurance company endangers its prudent management for effective, reliable and independent operations;

b) if the character of business activities - which are not readily transparent for the purposes of supervisory activities - and relations of any direct or indirect owner of the insurance or reinsurance company or his direct or indirect ownership in other companies is structured in a manner that obstructs supervisory activities;

c) if the regulations of a third country in which any direct or indirect owner of the insurance or reinsurance company is established is likely to prevent the effective exercise of supervisory functions.

(3) In addition to what is contained in Subsections (1) and (2), the Authority shall reject the application for authorization of establishment if the requirements prescribed in this Act for senior executives are not satisfied.

(4) If there is a person among the founders of a limited insurance or reinsurance company, or a cooperative insurance or reinsurance company, who wishes to acquire a qualifying interest in the insurance or reinsurance company to be established, the Authority - in addition to what is contained in Subsection (1) - shall refuse the application for authorization of establishment even if the applicant is able to satisfy the conditions contained in Subsection (1) of Section 261.

### *Section 242*

In possession of the foundation permit, the insurance or reinsurance company may begin to make preparations for its insurance activity and activities involved in or closely related to insurance.

*92. Authorization of insurance and reinsurance companies for the pursuit of activities**Section 243*

(1) Upon receipt of the Authority's authorization of establishment, the insurance or reinsurance company shall be required to submit an application to the Authority within ninety days for authorization for taking up the pursuit of the business of insurance or reinsurance.

(2) In the event of failure to submit the application referred to in Subsection (1) in due time, the Authority shall withdraw the authorization of establishment.

*Section 244*

(1) The application for authorization for taking up the pursuit of the business of insurance or reinsurance shall be accompanied by:

- a) a scheme of operations in accordance with Section 95;
- b) proof that the insurance or reinsurance company possesses the eligible basic own funds to cover the absolute floor of the minimum capital requirement;
- c) proof that the insurance or reinsurance company undertakes to maintain - based on its scheme of operations - the eligible basic own funds to cover the absolute floor of the minimum capital requirement, going forward;
- d) proof that the insurance or reinsurance company undertakes to maintain - based on its scheme of operations - the eligible basic own funds to cover the minimum capital requirement, going forward;
- e) proof that the insurance or reinsurance company is able to meet - in accordance with Sections 49-75 - the requirements applicable to management and the employees and that it is well prepared to comply with the related regulations, also that it has in place appropriate systems of governance in accordance with Sections 76-92. In that context the following shall be submitted:
  - ea) the organizational and operational regulations,
  - eb) the natural identification data of senior executives and non-management officers, documents in proof of compliance with the requirements set out in Subsection (1) of Section 54, Subsection (1) of Section 57, Subsection (1) of Section 59, Subsection (1) of Section 61, Subsection (2) of Section 63, Subsection (1) of Section 65 and Subsection (1) of Section 67, excluding the persons referred to in Paragraph c) of Section 238 if no change took place in the person of senior executives shown in the authorization of establishment,
  - ec)<sup>1</sup> documents on the risk-management system, internal control function and the internal control systems, and documents relating to outsourcing arrangements, where applicable;
  - f) proof of compliance with the material conditions prescribed in Sections 93-94 for the pursuit of the business of insurance or reinsurance, including inter alia:
    - fa)<sup>2</sup> a statement of guarantee of being prepared to maintain continuous filing, data processing systems and data disclosure regimes, as well as the results of tests of the computer programs used for such filing, data processing systems and data disclosure regimes, and a plan for handling emergency situations,
    - fb) proof of possession of infrastructure, information technology, technical and security background, and premises suitable for carrying out the activities,
    - fc) draft of the accounting policy and detailed accounting system,
    - fd) proof of having in place a filing system (manual or automated) with sufficient facilities for data protection,

<sup>1</sup> Amended by Paragraph d) of Section 214 of Act CXLV of 2017.

<sup>2</sup> Enters into force as amended under Point 10 of Section 67 of Act CLXII of 2015.

*fe*) internal conduct of business rules so as to ensure reliable and prudent operations, and a list of other internal regulations and arrangements,

*ff*)<sup>1</sup>

*g*) a statement on the proposed date for taking up operations;

*h*) if the application pertains to the pursuit of the business of compulsory motor vehicle liability insurance as well, proof of appointment of claims representatives in all Member States where such risks are covered, and the name and address of such claims representatives.

(1a)<sup>2</sup> In addition to what is contained in Subsection (1), a description of the regulations and internal control mechanisms implemented to comply with obligations in relation to money laundering and terrorist financing, and on the implementation of restrictive measures imposed by the European Union and the UN Security Council relating to liquid assets and other financial interests shall be enclosed - as a precondition - with an application for authorization to take up the business of life insurance.

(2) As regards the small insurance companies covered in Part Six, the application for authorization for taking up the pursuit of the business of insurance shall be accompanied by:

*a*) the documents provided for in Paragraphs *a*), *f*)-*h*) of Subsection (1) hereof, on the understanding that Section 213 applies to the scheme of operations;

*b*) proof of possession of the minimum guarantee fund provided for in Section 218;

*c*) proof that the insurance company is able to meet - in accordance with Sections 49-75 - the requirements applicable to management and the employees and that it is well prepared to comply with the related regulations;

*d*) the procedure to be applied in the event of an emergency situation seriously jeopardizing the liquidity or solvency of the insurance company.

(3) As regards the small mutual associations provided for in Chapter XVIII, the provisions set out in Subsection (2) shall apply having regard to the derogations set out in Sections 231-236.

(4) If an insurance company intends to introduce legal expenses insurance, its application for authorization for the commencement of operations shall contain a statement indicating its choice from among the types of legal expenses insurance provided for in Paragraphs *a*)-*c*) of Section 161.

### Section 245

(1) The Authority shall refuse to authorize an activity if the applicant:

*a*) does not hold sufficient eligible basic own funds to cover the absolute floor of the minimum capital requirement;

*b*) will not be able to maintain - based on its scheme of operations - the eligible basic own funds to cover the capital requirement;

*c*) will not be able to maintain - based on its scheme of operations - the minimum capital requirement;

*d*) does not have in place appropriate systems of governance;

*e*) is unable to meet the requirements applicable to management and the employees;

*f*) fails to meet the material conditions prescribed;

*g*) is deemed unable to comply with the statutory provisions regarding its activities by virtue of its scheme of operations, other documents attached to the application for authorization, or of any document, data or information furnished to the Authority, or its conduct is likely to violate or jeopardize the interests of policyholders.

(2) In the case of small insurance companies covered in Part Six, the Authority shall refuse to authorize an activity if the applicant:

<sup>1</sup> Repealed by Subsection (4) of Section 92 of Act LIII of 2017, effective as of 26 June 2017.

<sup>2</sup> Enacted by Subsection (1) of Section 92 of Act LIII of 2017, effective as of 26 June 2017.

a) fails to comply with the requirements set out in Paragraphs e)-g) of Subsection (1);

b)<sup>1</sup> does not have the minimum guarantee fund prescribed in Section 218 or fails to meet the requirement for own funds covering the minimum capital requirement to engage in the operations described in the scheme of operations.

(3) As regards the small mutual associations provided for in Chapter XVIII, the provisions set out in Subsection (2) shall apply having regard to the derogations set out in Sections 231-236.

### Section 246

If an insurance or reinsurance company uses an internal model to calculate the eligible basic own funds to cover the solvency capital requirement, the administrative time limit for granting the activity license shall be six months.

#### *93. Authorization of the pursuit of activities for branches to be established by an insurance or reinsurance company established in a third country*

### Section 247

(1) In addition to the requirements laid down in Subsections (1) and (4) of Section 244, applications for authorization for the commencement of activities by branches of third-country insurance and reinsurance companies shall contain:

a) the memorandum of association of the third-country insurance company, a copy of its authorization and its audited balance sheet for the previous three years;

b) a statement from the supervisory authority of the home country in which it states that foundation of a branch on the territory of Hungary is not against the laws of that country and that it does not jeopardize the operation of the applicant insurance or reinsurance company;

c)<sup>2</sup> a description of the regulations and internal control mechanisms implemented to comply with obligations in relation to money laundering and terrorist financing, and on the implementation of restrictive measures imposed by the European Union and the UN Security Council relating to liquid assets and other financial interests, with respect to taking up the business of life insurance.

(2) If the conditions laid down in Subsection (1) hereof are satisfied and in the absence of the reasons for refusal referred to in Subsection (1) of Section 245, the Authority shall issue the activity license for third-country insurance and reinsurance companies if:

a) there is a cooperation agreement in force between the Authority and the supervisory authorities of the country in which the applicant is established and if such agreement is based on the mutual recognition of supervisory authorities, covering issues pertaining to branches;

b)<sup>3</sup> the country in which the applicant is established has legal regulations on money laundering and terrorist financing and on the implementation of restrictive measures imposed by the European Union and the UN Security Council relating to liquid assets and other financial interests that conform to the requirements prescribed under Hungarian law;

c)<sup>4</sup> the country in which the applicant is established has regulations on data protection that conform to the requirements prescribed in the relevant legislation or in directly applicable acts of the European Union;

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1 Amended by Point 22 of Subsection (1) of Section 175 of Act LIII of 2016.

2 Enacted by Subsection (2) of Section 92 of Act LIII of 2017, effective as of 26 June 2017.

3 Amended by Subsection (10) of Section 22 of Act LII of 2017.

4 Amended by Paragraph f) of Section 138 of Act XXXIV of 2019.

d)<sup>1</sup> the applicant has adequate data management regulations that conform to the requirements prescribed in the relevant legislation or in directly applicable acts of the European Union;

e) the applicant provides a statement in which it offers guarantees for the liabilities incurred by its branch;

f) the applicant declares its commitment to open a payment account with a domestic payment service provider to handle all transactions involved in its activities performed on the territory of Hungary;

g) the applicant declares its commitment to keep the records and registers relating to its Hungarian operations on the territory of Hungary;

h) the eligible basic own funds to cover the absolute floor of the minimum capital requirement of the applicant's branch,

ha) at least half is situated on the territory of Hungary,

hb) at least one-quarter has been deposited with a Hungarian credit institution in security;

i) the applicant shall submit the standard contract terms it wishes to employ;

j) the applicant has appointed a general representative subject to the approval of the Authority;

k) the seat and the main office of the applicant is in the same country.

(3) The Authority shall publish a bulletin on the conclusion of the agreements referred to in Paragraph a) of Subsection (2) on its website, and shall take measures to ensure that the information remains continually accessible on the website.

(4) As regards the small insurance companies covered by Part Six,

a) in the application of Subsection (1) hereof, compliance with the requirements provided for in Subsections (2) and (4) of Section 244 shall be verified,

b) in the application of Subsection (2) hereof, the reasons for refusal referred to in Subsection (2) of Section 245 shall be taken into consideration and the rules set out in Paragraph h) of Subsection (2) as regards the minimum guarantee funds of small insurance companies shall apply.

(5) As regards the small mutual associations provided for in Chapter XVIII, the provisions set out in Subsection (2) shall apply having regard to the derogations set out in Sections 231-236.

#### *94. Authorization for making changes in, or the termination of, insurance and reinsurance activities*

### *Section 248*

(1) If an insurance company plans to expand its operations beyond the class of insurance, risk or risk group already authorized by adding another class of insurance, risk or risk group to its portfolio (extension of insurance operations), the application for authorization for such expansion shall contain:

a) the amended articles of association;

b) the amended scheme of operations;

c) proof of having in place governance arrangements and proof of compliance with the infrastructure requirements necessary for the expansion;

d) proof that it possesses the eligible own funds covering the solvency capital requirement;

e) proof that it possesses the eligible basic own funds covering the minimum capital requirement.

(2) As regards the small insurance companies covered by Part Six, the application referred to in Subsection (1) shall cover:

a) the requirements set out in Paragraphs a)-b) of Subsection (1);

b) proof of compliance with the conditions for the activities after the expansion;

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1 Amended by Paragraph f) of Section 138 of Act XXXIV of 2019.

c) proof that it possesses the necessary solvency margin after the expansion.

(3) If an insurance company intends to introduce legal expenses insurance, its application for authorization for the expansion of insurance operations shall contain a statement indicating its choice from among the types of legal expenses insurance provided for in Paragraphs a)-c) of Section 161.

(4) If a reinsurance company plans to expand its operations beyond the reinsurance activities already authorized, an application shall be submitted for authorization in accordance with Subsection (1).

### *Section 249*

The Authority shall refuse to authorize the expansion of operations in the cases provided for in Section 245, and also if the insurance company fails to meet the conditions set out in Section 45.

### *Section 250*

(1) If an insurance company plans to terminate all or some of its activities, the Authority shall authorize the termination of those activities if the insurance company has satisfied all its commitments and liabilities stemming from insurance activities with respect to the class or branch of insurance to which the request pertains.

(2) Possible scenarios for satisfying commitments and liabilities shall include the following:

a) transferring existing contracts; or

b) reaching agreements with the clients affected.

(3) The insurance company shall be required to submit the documents in proof of the circumstances mentioned in Subsection (1) to the Authority.

(4) Before granting authorization for the termination of activities, in order to protect the interests of insured persons the Authority may stipulate certain conditions and requirements in accordance with the relevant provisions of this Act, which must be satisfied before the insurance company is required to carry on its operations under the relevant provisions.

(5) If the Authority has authorized the closure of insurance operations, it shall also decide concerning the withdrawal of the insurance company's authorization in part or in whole.

(6) The decision for the termination of the insurance company without succession and for ordering the opening of dissolution proceedings may be adopted, and the amendment notification concerning the opening of dissolution proceedings may be submitted to the relevant court of registry after receipt of the Authority's authorization for the complete closure of insurance operations.

### *Section 251<sup>1</sup>*

The provisions of Section 250 shall apply mutatis mutandis in connection with the termination of reinsurance operations in part or in whole.

## *95. Approval of senior executives and non-management officers*

### *Section 252*

(1) The application for the approval of senior executives and non-management officers shall be accompanied by:

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1 Enters into force as amended under Point 11 of Section 67 of Act CLXII of 2015.



a) documents in proof of compliance with the requirements set out in Subsection (1) of Section 54, Subsection (1) of Section 57, Subsection (1) of Section 59, Subsection (1) of Section 61, Subsection (2) of Section 63, Subsection (1) of Section 65 and Subsection (1) of Section 67;

b) documents in proof of compliance with the requirements set out in Subsections (4)-(5) of Section 53 and Subsection (2) of Section 56; and

c) documents in proof of compliance with fit and proper requirements, having regard to the requirements set out in Section 69.

(2) The Authority shall refuse the application referred to in Subsection (1) if the senior executive or non-management officer is unable to meet the requirements set out in Subsection (1).

### *Section 253*

(1) The burden of proof of compliance with fit and proper requirements shall lie with the applicant.

(2) The applicant may provide proof of compliance with fit and proper requirements in the form of any document of his choice, however, the Authority may prescribe that other specific credentials (documents) be provided in proof of compliance with fit and proper requirements.

(3) The documents provided for in Subsection (2) shall be accepted if issued within three months to date.

(4) If the Authority refuses to accept the proof provided to demonstrate compliance with fit and proper requirements, it shall be stated in a resolution.

(5) The Authority shall be entitled to contact the competent foreign authority directly as part of its procedure to resolve compliance with fit and proper requirements.

### *Section 254*

(1) As regards the documents referred to in Subsection (2) of Section 253, in respect of nationals of other Member States the Authority shall accept as sufficient evidence the production of an extract from the judicial record or other official register or, failing this, of an equivalent document issued by a competent judicial or administrative authority in the home Member State or the Member State from which the foreign national comes.

(2) Where the home Member State or the Member State from which the foreign national concerned comes does not issue the document referred to in Subsection (1), it may be replaced by a declaration on oath - or in Member States where there is no provision for declaration on oath by a solemn declaration - made by the foreign national concerned before a competent judicial or administrative authority or, where appropriate, a notary public in the home Member State or the Member State from which that foreign national comes.

### *Section 254/A<sup>1</sup>*

The Authority shall provide information to the competent supervisory authorities of other Member States, and to the European Commission on the Hungarian authorities having powers and competence for issuing the documents specified in Subsection (1) of Section 252 having regard to Hungarian nationals and legal persons established in Hungary.

### *96. Authorization for providing advantages to the branches authorized in several Member States of third-country insurance companies*

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1 Enters into force as under Section 42 of Act CLXII of 2015.

*Section 255*

(1) Where the branch of a third-country insurance or reinsurance company has requested or received authorization, apart from Hungary, for the pursuit of the business of insurance in any other Member State as well, such branch may request authorization:

*a)* to have the solvency capital requirement provided for in Paragraph *c)* of Subsection (1) of Section 244 to be calculated in relation to the entire business which it pursues within the European Union;

*b)* to lodge the deposit required under Paragraph *h)* of Subsection (2) of Section 247 only in the Member State where the requested supervisory authority is located;

*c)* for having the assets representing the minimum capital requirement to be localized in any one of the Member States in which it pursues its activities.

(2) The Authority shall authorize the advantages provided for in Subsection (1) only jointly.

(3) In the application provided for in Subsection (1) the third-country insurance or reinsurance company shall indicate the supervisory authority of the Member State which in future is to supervise the solvency of the entire business of the branches established within the European Union, and shall give reasons for the choice of authority made.

(4) The advantages provided for in Subsection (1) may be authorized only where the supervisory authorities of all Member States in which an application has been made agree to them.

(5) The advantages provided for in Subsection (1) may be granted in connection with operations conducted on the territory of Hungary and they shall take effect from the time when the selected supervisory authority, provided for in Subsection (3), informs the Authority that it will supervise the state of solvency of the entire business of the branches of the third-country insurance company within the European Union.

(6) At the request of the supervisory authority selected as provided for in Subsection (3) the Authority shall make available the information necessary for the supervision of the overall solvency of the branches established on the territory of Hungary.

(7) If the Authority functions as the selected supervisory authority provided for in Subsection (3) and it withdraws the advantages granted under Subsection (1) by way of a resolution, it shall notify the supervisory authorities of the Member States affected by the branches of the third-country insurance company with a view to taking action for the withdrawal of such advantages.

(8) If the supervisory authority of another Member State notifies the Authority that it has withdrawn the advantages provided for in Subsection (1), the Authority shall - by way of a resolution - withdraw the advantages it has granted.

(9) In the case provided for in Paragraph *a)* of Subsection (1) only the activities performed by branches established within the European Union shall be taken into account for the purpose of calculations.

(10) The advantages referred to in Subsection (1) shall not apply to the insurance companies covered by Part Six.

(11)<sup>1</sup> If the Authority is the selected supervisory authority provided for in Subsection (3) hereof, it shall be entitled to take the measures provided for in Subsection (1) of Section 307, Sections 309 and 310, and in Subsections (1)-(3) of Section 312 so as to supervise the state of solvency of the entire business of the branches established within the European Union.

*97. Authorization of portfolio transfer arrangements*

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1 Enters into force as under Section 43 of Act CLXII of 2015.

*Section 256*

(1) The application for the authorization of portfolio transfer under Subsection (3) of Section 118 shall be accompanied by:

a) a precise description of the portfolio to be transferred and the contractual conditions of the portfolio;

b) the contract between the transferor and the transferee for the transfer of the accounts;

c) a description of the technical provisions connected to the portfolio to be transferred and the cover for these provisions;

d) the date of transfer of the portfolio and the consideration paid for the portfolio;

e) if the receiving insurance company is established in Hungary, proof that the receiving insurance company has, in addition to the solvency margin required for its own portfolio:

ea) sufficient eligible own funds covering the solvency capital requirement for the insurance portfolio received, or

eb)<sup>1</sup> the solvency margin requirement for the portfolio received in the case of insurance companies covered by Part Six.

(2) Where the portfolio is transferred to an insurance or reinsurance company that is established in another Member State, the verification referred to in Paragraph e) of Subsection (1) is not required.

(3) If the receiving insurance or reinsurance company is established in another Member State, the Authority shall contact the supervisory authority of the receiving insurance or reinsurance company seeking its verification that the receiving insurance company's solvency margin will continue to satisfy the minimum requirement after taking over the portfolio.

(4) The Authority shall authorize the transfer of a portfolio in possession of the consent of the supervisory authority of the Member State of the commitment.

(5) In order to obtain the consent referred to in Subsection (4) the Authority shall contact the supervisory authority of the Member State of the commitment.

(6) If the supervisory authority of the receiving insurance or reinsurance company fails to provide the verification referred to in Subsection (3), or if the supervisory authority of the Member State of the commitment fails to grant consent as under Subsection (5) within three months from the time of receipt of the request for legal assistance, it shall be considered granted.

(7) The Authority shall refuse an application for portfolio transfer if:

a) the requirements laid down in Subsection (1) are not satisfied, or

b) it appears due to other reasons that the transfer is likely to harm the interests of the policyholders.

(8) The Authority shall publish its decision on the authorization of a portfolio transfer on its website.

*Section 257*

Upon receiving a request for legal assistance from another Member State in connection with a portfolio transfer arrangement, the Authority shall inform the supervisory authority of that Member State within three months:

a) as to whether it will consent to the portfolio transfer,

b) as to whether the receiving insurance company will have the prescribed solvency margin after taking over the portfolio.

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1 Amended by Point 22 of Subsection (1) of Section 175 of Act LIII of 2016.

*97/A.1 Authorization of the transformation, merger and division of insurance and reinsurance companies*

*Section 257/A<sup>2</sup>*

(1) The application for authorization of the transformation, merger and division of an insurance or reinsurance company shall be accompanied by:

- a) the draft terms of transformation, merger or division; and
- b) if the successor insurance or reinsurance company is established in Hungary, proof of compliance with the requirements set out in Section 244 consistent with the activities of the successor insurance or reinsurance company.

(2) In addition to the provisions of the Civil Code and the LPT relating to transformation, merger or division, the draft terms of transformation, merger or division shall contain:

- a) the proposed date of transformation, merger or division;
- b) accurate description of the insurance portfolio to be transferred to the successor insurance company or reinsurance company and the contract terms and conditions thereof;
- c) a description of the technical provisions connected to the portfolio to be transferred to the successor insurance company or reinsurance company and the cover for these provisions;
- d) if the successor insurance or reinsurance company is established in Hungary, evidence that the successor insurance or reinsurance company has, after the transfer, in addition to the solvency margin required for its own portfolio:
  - da) sufficient eligible own funds covering the solvency capital requirement for the insurance portfolio received from the predecessor, or
  - db) own funds covering the minimum capital requirement for the portfolio received from the predecessor in the case of insurance companies covered by Part Six;
- e) as regards the transformation of a mutual association into a limited company, the share to be allocated to certain members of the association from the successor limited company's capital, and the criteria based on which it was determined, and/or proof of compliance with the conditions set out in Sections 28-30.

(3) If the successor insurance or reinsurance company is established in another Member State, the verification referred to in Paragraph d) of Subsection (2) is not required.

(4) If the successor insurance or reinsurance company is established in another Member State, the Authority shall contact the supervisory authority of the successor insurance or reinsurance company seeking its verification that the successor insurance company's solvency margin will continue to satisfy the minimum requirement after the transformation, merger or division.

(5) The Authority shall authorize the transformation, merger or division in possession of the consent of the supervisory authority of the Member State of the commitment. In order to obtain said consent, the Authority shall contact the supervisory authority of the Member State of the commitment.

(6) If the supervisory authority of the successor insurance or reinsurance company fails to provide the verification referred to in Subsection (4), or if the supervisory authority of the Member State of the commitment fails to grant consent as under Subsection (5) within three months from the time of receipt of the request for legal assistance, it shall be considered granted.

(7) The Authority shall refuse to grant authorization for the transformation, merger or division of an insurance or reinsurance company if:

- a) the conditions set out in Subsections (1) and (2) are not satisfied;

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1 Enacted by Section 169 of Act CXLV of 2017, effective as of 1 January 2018.

2 Enacted by Section 169 of Act CXLV of 2017, effective as of 1 January 2018.

b) any of the criteria provided for in Section 245 applies where the successor insurance or reinsurance company is established in Hungary;

c) the verification specified in Subsection (4) or the consent specified under Subsection (5) is not available, having regard to Subsection (6);

d) there is reason to believe that the transformation, merger or division might be harmful to the policyholders affected, or to the members in connection with the transformation of a mutual association into a limited company.

(8) The date of transformation, merger or division must fall within six months after the date when the authorization was granted.

(9) The successor insurance or reinsurance company shall notify in writing - in the language of the contract - all contracting parties concerned of the transformation, merger or division within thirty days of the date of registration in the records of the court of registry or of the general court.

(10) The contracting parties shall have the option to terminate their contracts, with a 30-day notice - in a written notice addressed to the successor insurance company within thirty days of the date of receiving the notification.

#### *Section 257/B<sup>1</sup>*

Upon receiving a request for legal assistance from another Member State in connection with the transformation, merger, division, the Authority shall inform the supervisory authority of that Member State within three months:

a) whether it approves the transformation, merger, division;

b) as to whether the successor insurance or reinsurance company, if established in Hungary, will continue to have the prescribed solvency margin after taking over the portfolio.

### *98. Authorization of the acquisition of qualifying interest*

#### *Section 258*

(1) Any person who wishes to acquire any holding in a limited insurance or reinsurance company that will provide a qualifying interest or alter an existing qualifying interest whereby the ownership interest or voting right will reach or exceed the 20, 33 or 50 per cent limit, or who wishes to exercise controlling influence over a insurance or reinsurance company shall obtain the Authority's prior authorization for the conclusion of such contract. An agreement relating to ownership rights, voting rights or to secure advantages in excess of such rights may only be concluded in possession of the Authority's permission.

(2) The application shall specify the name of the insurance or reinsurance company, the character of the controlling influence and the size of the existing and intended holding.

(3) In addition to what is contained in Subsection (2), an application for the authorization of acquisition of holding or controlling influence shall also contain, subject to the exception specified in Subsection (6):<sup>2</sup>

a) the identification data of the applicant or any person holding a qualifying or controlling interest in the applicant company;

b)<sup>3</sup> if the applicant is a natural person, document in proof of having no prior criminal record, having regard to Subsection (3) of Section 4;

c) if the applicant is a natural person, and for natural persons holding a qualifying or controlling interest in the applicant company, a statement to declare that he is not subject to any other disqualifying factors provided for in Subsection (7);

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1 Enacted by Section 169 of Act CXLV of 2017, effective as of 1 January 2018.

2 Amended by Point 8 of Section 484 of Act L of 2017.

3 Established by Subsection (4) of Section 483 of Act L of 2017, effective as of 1 January 2018.

d) if other than a natural person, the applicant's consolidated instrument of constitution in effect on the date of application, a certificate issued within thirty days to date in proof that the applicant was established (registered) in compliance with the relevant national regulations and is not adjudicated in bankruptcy, liquidation or dissolution proceedings, and a statement that its senior executives are not subject to any disqualifying factors under this Act;

e) documents issued within thirty days to date to verify of having no outstanding debts owed to the competent tax authority, customs authority or to the social security system of the applicant's country of origin, or that the applicant is listed in the register of taxpayers free of tax debt obligations;

f) evidence concerning the legitimacy of the financial means for acquiring qualifying or controlling interest;

g) a statement in proof that other holdings and business activities of the applicant are not harmful to the prudent management of the financial institution, including a declaration on any pending and future liabilities defined as such by the Accounting Act;

h) the contract proposal made for the acquisition of controlling influence, or ownership, or for an agreement to secure substantial advantages attached to voting rights;

i)<sup>1</sup> if the applicant is other than a natural person, a detailed description of the applicant's ownership structure supported by documentary evidence, and - if possible - information about beneficial owners;

j) the statements provided for in Paragraphs g) and h) of Section 238;

k) a statement executed in a private document representing conclusive evidence of the applicant in which to grant consent for having the authenticity of the documents attached to the application for authorization checked by the Authority by way of the agencies it has contacted.

(3a)<sup>2</sup> The application referred to in Subsection (2) for the authorization of acquisition of holding or controlling influence shall be accompanied by proof of compliance with the conditions set out in Paragraphs a), d), g) and i)-k) of Subsection (3) if the applicant is an entity other than natural person and is of the same group as the insurance or reinsurance company.

(4) Authorization for acquisition shall be granted on condition that the investor deposits the cash part of the capital necessary for the direct acquisition of the interest in a credit institution established in any Member State.

(5) If the applicant is a third-country insurance company, reinsurance company, credit institution or investment firm, the application shall have attached - in addition to what is contained in Subsections (3)-(4) - a certificate, or statement from the supervisory authority of the country where the applicant is established verifying that the company operates in due observation of the relevant regulations.

(6)<sup>3</sup> If the applicant is a Hungarian citizen or an entity other than a natural person established in Hungary, the documents for verifying the details specified in Paragraphs d), e) and i) of Subsection (3) shall be obtained by the Authority.

(7) A qualifying interest may be held in an insurance or reinsurance company subject to the following conditions:

a) the activities of the holder or his influence on the insurance or reinsurance company endangers its prudent management for effective, reliable and independent operations;

b) the character of business activities and relations of the holder, or his direct or indirect ownership in other companies shall be structured in a manner so as not to obstruct supervisory activities.

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1 Established by Section 203 of Act LXIX of 2017, effective as of 1 July 2017.

2 Enacted by Section 143 of Act XXXIX of 2023, effective as of 1 September 2023.

3 Established by Subsection (5) of Section 483 of Act L of 2017, effective as of 1 January 2018.

(8) The activities of the applicant or his influence on the insurance or reinsurance company shall, in particular, be considered to harm the prudent management for effective, reliable and independent operations if the competent supervisory authority has suspended the applicant's voting rights within a period of five years preceding the time of submission of the application.

### Section 259

(1) If the applicant:

a) is an investment firm, credit institution, insurance company, reinsurance company, an AIFM managing AIFs or a UCITS management company authorized in another Member State,

b) is the parent of either of the companies mentioned in Paragraph a), or

c) controls either of the companies mentioned in Paragraph a),  
the Authority shall consult the competent supervisory authorities of jurisdiction by reference to the place where the investment firm, credit institution, insurance company, reinsurance company, AIFM managing AIFs or UCITS management company is located.

(2) The Authority shall be entitled to contact the competent authority of jurisdiction by reference to the place where the applicant's registered address or home address is located in order to verify or investigate the conditions prescribed for authorization.

### Section 260

(1)<sup>1</sup> The Authority shall confirm receipt of the application and the supporting documentation to the applicant in writing in each case within not more than two working days. In that certificate of receipt the Authority shall inform the applicant concerning the administrative time limit.

(2)<sup>2</sup> The Authority shall have up to sixty working days from the date of issue of the certificate if the complete application accompanied by all supporting documentation (hereinafter referred to as "certificate of completeness") to check and verify the documents and information available in connection with the application (hereinafter referred to as "administrative time limit"), and to grant the authorization prescribed in Subsection (1) of Section 258. In the certificate of completeness the Authority shall inform the applicant concerning the expiry of the administrative time limit.

(3)<sup>3</sup> The Authority may request the applicant to supply additional information within fifty working days from the date of receipt of the application, as may be required for completion of the evaluation process.

(4) The applicant shall have twenty working days to comply with the request for additional information. The administrative time limit shall be suspended for such period until said additional information is provided. The Authority shall confirm receipt of the additional information specified in Subsection (3) to the applicant in writing within not more than two working days.

(5) After the deficiencies are remedied the Authority shall be entitled to request further information from the applicant. However, the time limit prescribed for the disclosure of such information shall be included in the administrative time limit.

(6) The applicant shall have thirty working days to comply with the request for additional information if:

a) the applicant is established in a third country, or

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1 Established by Section 144 of Act XXXIX of 2023, effective as of 1 September 2023.

2 Established by Section 144 of Act XXXIX of 2023, effective as of 1 September 2023.

3 Enters into force as amended under Paragraph b) of Section 198 of Act CLXXXVI of 2015. Amended by Paragraph b) of Section 146 of Act XXXIX of 2023.

b) the applicant is not subject to supervision according to the national laws of Member States on the transposition of Directive 2004/39/EC of the European Parliament and of the Council, Directive 2006/48/EC of the European Parliament and of the Council, Directive 2009/65/EC of the European Parliament and of the Council, Directive 2009/138/EC of the European Parliament and of the Council, Directive 2011/61/EU of the European Parliament and of the Council or Directive 2013/36/EU of the European Parliament and of the Council.

### Section 261

(1) The Authority shall refuse to grant the authorization specified in Subsection (1) of Section 258 if:

- a) the applicant natural person does not have a clean criminal record;
- b) the applicant's legal status and ownership status is unclear or cannot be verified;
- c) the applicant's financial and business status is not sufficiently stable;
- d)<sup>1</sup> the applicant has seriously or repeatedly violated the provisions of this Act or another legislation pertaining to insurance activities and has received the maximum fine for such offense by the Authority's final or definitive decision adopted within five years to date, or whose responsibility was established by final court ruling within five years to date;
- e) the applicant is unable to comply with fit and proper requirements;
- f) the applicant's financial and economic position is deemed inadequate for the size of the ownership interest he proposes to acquire, or the applicant has not been successful in business during the three-year period before the application is submitted;
- g) whether there are reasonable grounds to suspect that, in connection with the proposed acquisition of holding or controlling interest, money laundering or terrorist financing within the meaning of the relevant legislation is being or has been committed or attempted, or that the proposed acquisition of holding or controlling interest could increase the risk thereof;
- h) the applicant does not have an agent for service of process, if established in another country.

(1a)<sup>2</sup> The Authority shall adopt a resolution on refusal under Subsection (1) inside the administrative time limit, with the proviso that such resolution shall be delivered to the applicant in writing at the latest within two working days, before the expiry of the administrative time limit.

(2) In the case of failure to apply for authorization, refusal of the application, failure to comply with the obligation of notification as prescribed, or refusal to provide information, the Authority may prohibit the exercising of voting rights deriving from an agreement for the acquisition of a share or controlling influence, or from other legal arrangements for securing advantages until the relevant statutory requirements are fulfilled.

(3) If the Authority fails to deliver a decision on the merits in due time, the applicant shall be deemed to have completed the proposed acquisition of a share or controlling influence, unless the Authority exercises the right referred to in Subsection (2).

(4) The applicant shall have six months for concluding the proposed acquisition of a share or controlling influence as approved.

(5) Where two or more proposals to acquire or increase qualifying interests in the same insurance company have been notified to the Authority for the purpose of authorization, the Authority shall treat the proposed acquirers in a non-discriminatory manner.

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1 Amended by Point 9 of Section 484 of Act L of 2017.

2 Enacted by Section 162 of Act LIII of 2016, effective as of 1 July 2016.



*Section 262*

The provisions of this subtitle shall apply mutatis mutandis to cooperative insurance and reinsurance companies.

*99. Authorization for establishing an insurance company by a Hungarian insurance company in a third country, or for the acquisition of a share in an insurance company established in a third country, and for setting up a branch in a third country*

*Section 263*

(1) The application submitted by a Hungarian insurance or reinsurance company for the authorization of establishing an insurance or reinsurance company in a third country shall contain:

- a) the name of the third country where it will be established, and the registered office of the proposed insurance or reinsurance company;
  - b) the applicant's scheme of operations drawn up
    - ba) in accordance with Section 95,
    - bb) in accordance with Section 213,
- offering information about setting up the insurance company in that third country;
- c) proof of having the capital necessary for starting up the company;
  - d) scheme of operations of the insurance company to be established;
  - e) draft of the instrument of constitution of the insurance company to be established;
  - f) proposal for the organization of the insurance company to be established;
  - g) demonstration of the exercise of ownership rights in the applicant's system of governance.

(2) The application submitted by a Hungarian insurance or reinsurance company for the authorization of setting up a branch in a third country shall contain the information and documents provided for in Subsection (1), with the proviso that the insurance or reinsurance company to be established shall be construed as the branch proposed to be established.

(3) The application submitted by a Hungarian insurance or reinsurance company for the authorization of acquisition of a share in an third-country insurance or reinsurance company shall contain:

- a) the name of the third country where the share is to be acquired, the name and registered office of the insurance or reinsurance company in which the applicant plans to acquire a share, demonstration of insurance activities;
- b) the applicant's scheme of operations drawn up in accordance with Section 95 or Section 213;
- c) proof that the applicant insurance company possesses the capital necessary for the acquisition;
- d) demonstration of the exercise of ownership rights in the applicant insurance company's system of governance.

(4) The Authority shall refuse to grant the authorization provided for in Subsections (1)-(3) if:

- a) the requirements laid down in Subsections (1)-(3) are not satisfied, or
- b) the establishment, setting up the branch or the acquisition of a share is likely to jeopardize the fulfillment of the applicant insurance company's commitments and obligations.

*100. Authorization for the transfer of additional capital if there is a solvency deficit in any class of insurance in the case of insurance companies authorized to conduct both life insurance and non-life insurance business*

#### Section 264

(1) The application submitted by an insurance company authorized to conduct both life insurance and non-life insurance business for authorization for the transfer of additional capital if there is a deficit in the minimum capital requirement provided for in Subsection (6) of Section 446 from own-fund items available in the other class of insurance shall be accompanied by:

- a) a calculation for the minimum capital requirement to be re-established in respect of the size of deficit of basic own-fund items;
- b) demonstration of the eligible own funds available in the other class of insurance, intended to be transferred, and proof of possession of such own funds;
- c) proof that the level of basic own-fund items covering the minimum capital requirement will be maintained after the level of own funds in the other class are re-established.

(2) The application submitted by an insurance company covered by Part Six, that is authorized to conduct both life insurance and non-life insurance business, for authorization for the transfer of additional capital if there is a solvency deficit in one of those classes from own funds available in the other class of insurance shall - by way of derogation from Subsection (1) - be accompanied by:

- a) a calculation for the solvency margin to be re-established in respect of the size of deficit;
- b) demonstration of the eligible own funds available in the other class of insurance;
- c) proof that the level of own funds will be maintained after the level of own funds in the other class are re-established.

(3) The Authority shall refuse the application for authorization if:

- a) the insurance company fails to evidence in the application referred to in Subsection (1) that the level of own-fund items will be re-established after the transfer requested, or
  - b) the insurance company fails to evidence in the application referred to in Subsection (2) that the solvency margin will be re-established after the transfer requested
- at the level required under this Act in both classes of insurance.

*101. Authorization of offsetting by reinsurance*

#### Section 265

(1) The application for the authorization for covering the guarantee by reinsurance under Subsection (4) of Section 218 shall contain:

- a) the percentage of offsetting requested;
- b) the contract the purpose of which is to provide reinsurance cover.

(2) The Authority shall refuse to grant the authorization provided for in Subsection (1) if the proposed reinsurance cover does not cover the insurance company's underwriting liabilities.

*102. Authorization for the employment or delegation of a principal agent*

*Section 266*

(1) The application for authorization of the employment or delegation of a principal agent shall be accompanied by:

*a)* draft of the personal service contract or employment contract for principal agency activities;

*b)* where principal agency activities are performed by a company:

*ba)* a document evidencing the employment - by a company pursuing principal agency activities - of a natural person in charge of principal agency activities,

*bb)* documents supporting the facts provided for in Subsections (2)-(3) of Section 395;

*c)* documents evidencing compliance with the requirements set out in Subsections (2)-(3) of Section 395 in respect of the natural person in charge of principal agency activities.

(2) The Authority shall refuse the application for authorization of the employment or delegation of a principal agent if it fails to meet the requirements set out in Subsection (1).

**CHAPTER XXI****PROVISIONS RELATING TO SUPERVISION, NOTIFICATIONS AND COMMUNICATIONS***103. General obligation of notification of insurance companies**Section 267*

(1) Insurance and reinsurance companies shall inform the Authority within two working days:

*a)* if unable to meet their payment obligations due to lack of financial cover;

*b)*<sup>1</sup> if their technical provisions - including technical provisions of accountancy - are below the amount required at the time when determined, or if the cover for technical provisions of accountancy is insufficient, furthermore, in the case of insurance or reinsurance companies using the matching adjustment, if they are no longer able to meet the conditions for using the matching adjustment;

*c)* if they observe that the solvency capital requirement is no longer complied with - as provided for in this Act -, or where there is a risk of non-compliance in the following three months;

*d)* if they observe that the minimum capital requirement is no longer complied with or where there is a risk of non-compliance in the following three months;

*e)* if it acquires a share in the capital of another company in excess of ten per cent of its own subscribed capital;

*f)*<sup>2</sup> regarding the appointment, employment or delegation of any senior executive or non-management officer, including when such appointment, employment or delegation is terminated, in the latter case indicating the reason as well, if the reason for termination is non-compliance with fit and proper requirements;

*g)* upon the relocation of their headquarters;

*h)* regarding the appointment of an auditor, including - with the exception set out in Subsection (2) - when such appointment is terminated;

*i)* if their credit liabilities have exceeded five per cent of the subscribed capital;

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1 Amended by Point 23 of Subsection (1) of Section 175 of Act LIII of 2016.

2 Established by Section 165 of Act CXXVI of 2018, effective as of 29 December 2018.

j)<sup>1</sup>

k) on transferring - in accordance with Subsection (7) of Section 446 - eligible own funds available in one class of insurance for covering solvency capital requirement of the other class of insurance.

(2) The Authority shall be notified of the date when the auditor's term is expected to expire at least two months prior to such foreseeable date of expiry.

### Section 268

(1) Insurance and reinsurance companies shall notify the Authority within thirty days:

a) concerning any increase or reduction of the subscribed capital;

b) concerning the acquisition of a five per cent or higher share in an insurance company for which no authorization is required according to Subsection (1) of Section 258;

c) of the conclusion of an agreement concerning the internal controller referred to in Subsection (5) of Section 63;

d) concerning the amendment of the articles of association;

e) in the case of insurance companies engaged in the pursuit of the business of compulsory motor vehicle liability insurance, the claims representatives appointed to operate in Member States, their particulars relating to their duties and any changes in such data and information;

f)<sup>2</sup>

g) concerning any share acquired in the capital of any credit institution, financial enterprise, investment firm or investment fund manager that is below the threshold of qualifying interest;

h) the solvency capital requirement recalculated, if the risk profile of the insurance or reinsurance company deviates significantly from the assumptions underlying the last reported solvency capital requirement;

i) the reason if the minimum capital requirement is determined by the limit provided for in Subsection (1) of Section 102;

j) if the liability insurance policy of a multiple agent or broker is terminated, including the date of termination.

(2) As regards the small insurance companies covered by Part Six, the obligations provided for in Paragraphs e), h)-i) of Subsection (1) shall not apply.

### Section 269<sup>3</sup>

(1) Insurance and reinsurance companies shall report to the Authority in accordance with the MNB Act, and shall have in place an internal reporting regime fixed in an internal policy.

(2) Insurance and reinsurance companies shall send to the Authority:

a) a supervisory report once a year, in addition to the annual account;

b) a quarterly report concerning the key characteristics of the insurance or reinsurance company's operations, as well as a report covering large exposures, and the estimated figures for the solvency margin, own funds and technical provisions;

c) the outcome of the calculation of the solvency capital requirement once a year;

d) the outcome of the calculation of the minimum capital requirement quarterly.

1 Repealed by Paragraph b) of Section 182 of Act CXXVI of 2018, effective as of 29 December 2018.

2 Repealed by Paragraph c) of Section 182 of Act CXXVI of 2018, effective as of 29 December 2018.

3 Established by Section 170 of Act CXLV of 2017, effective as of 21 November 2017.

(3) As regards the report referred to in Paragraph *b*) of Subsection (2), the Authority may - at the request of the insurance or reinsurance company - limit regular supervisory reporting, if it considers that the submission of that information would be overly burdensome in relation to the nature, scale and complexity of the risks inherent in the business of the insurance or reinsurance company, with the proviso that the report shall be sent to the Authority in full at least once a year.

(4) The Authority shall not limit regular supervisory reporting as provided for in Subsection (3) in the case of insurance or reinsurance companies that are part of a group, unless the insurance or reinsurance company can demonstrate that regular supervisory reporting with a frequency shorter than one year would be overly burdensome given the nature, scale and complexity of the risks inherent in the business of the group.

(5) The limitation under Subsection (3) shall be granted only to insurance or reinsurance companies that do not represent more than 20 per cent of Hungary's life and non-life insurance and reinsurance market respectively, where the non-life market share is calculated based on gross written premiums and the life market share is determined based on gross technical provisions. The Authority shall give priority to the smallest insurance or reinsurance companies when determining their eligibility for those limitations.

(6) The Authority may limit the requirement of reporting of data and information under Subsection (2) or exempt insurance and reinsurance companies from such reporting obligation at their request, where:

*a*) the submission of that information would be overly burdensome for the insurance and reinsurance company in relation to the nature, scale and complexity of the risks inherent in the business of the insurance and reinsurance company;

*b*) the submission of that information is not necessary for the effective supervision of the insurance and reinsurance company;

*c*) the exemption does not undermine the stability of the financial systems concerned in the European Union; and

*d*) the insurance and reinsurance company is able to provide the information on an ad-hoc basis.

(7) As regards the supervisory limitation and/or exemption under Subsection (6), Subsections (4) and (5) shall apply *mutatis mutandis*, with the proviso that - with respect to Subsection (4) - in the case of insurance and reinsurance companies that are part of a group their financial stability must be taken into consideration as well.

(8) For the purposes of Subsections (6) and (7), as part of the supervisory review process, the Authority shall assess whether the submission of data and information would be overly burdensome in relation to the nature, scale and complexity of the risks of the insurance and reinsurance company, taking into account, at least:

*a*) the volume of premiums, technical provisions and assets of the insurance and reinsurance company;

*b*) the volatility of the claims filed against the insurance and reinsurance company and benefits covered by the insurance and reinsurance company;

*c*) the market risks that the investments of the insurance and reinsurance company give rise to;

*d*) the level of risk concentrations;

*e*) the total number of classes of life and non-life insurance for which authorization is granted;

*f*) possible effects of the management of assets on financial stability;

*g*) the systems and structures of the insurance and reinsurance company to provide information for supervisory purposes and the internal policy referred to in Subsection (1);

*h*) the appropriateness of the system of governance of the insurance and reinsurance company;

*i*) the level of own funds covering the solvency capital requirement and the minimum capital requirement;

j) whether the company is a captive insurance or reinsurance company only covering risks associated with the industrial or commercial group to which it belongs.

(9) By way of derogation from Subsection (2), small insurance companies covered by Part Six, shall send to the Authority:

a) an internal report once a year, in addition to the annual account, that assesses their underwriting activities; the internal report shall not be made public;

b) the actuarial report once a year; and

c) the report provided for in Paragraph b) of Subsection (2).

(10) The obligations defined in Subsection (2) and Paragraphs b)-c) of Subsection (9) shall not apply to the small mutual associations provided for in Chapter XVIII.

(11) The rules for and the contents of the supervisory reporting obligation prescribed in Paragraph a) of Subsection (2) for insurance or reinsurance companies shall be decreed by the Governor of the Magyar Nemzeti Bank (*National Bank of Hungary*) in accordance with the provisions of the Solvency II Directive relating to information to be provided for supervisory purposes (Article 35).

(12) The rules for and the contents of the internal data disclosure - under Paragraph a) of Subsection (9) - of small insurance companies shall be decreed by the Governor of the Magyar Nemzeti Bank.

(13) Insurers engaged in the pursuit of the business of compulsory motor vehicle liability insurance shall report - as decreed by the Governor of the Magyar Nemzeti Bank - to the Authority relating to their compulsory motor vehicle liability insurance products.

#### *104. Notifications relating to the asset funds of unit-linked life insurance policies*

##### *Section 270*

(1) The insurance companies offering unit-linked life insurance policies shall notify the Authority of the asset funds it offers with such life insurance policies within fifteen working days from the day they were introduced. The notification shall indicate the name of the asset fund and the underlying investment policy.

(2) The insurance company shall notify the Authority within fifteen working days from the date of termination of an asset fund. The notification shall contain:

a) the name of asset fund,

b) the reason for which the asset fund was terminated,

c) the procedure for the transfer of assets to other funds, and

d) the information sent to the clients.

(3) If an insurance company modifies the investment policy of any of its asset funds, the Authority shall be notified thereof within fifteen working days after the modification. The notification shall indicate the name of the asset fund concerned, the reason for modification and the information sent to the clients.

#### *105. Notification of outsourced activities*

##### *Section 271*

Insurance or reinsurance companies shall report to the Authority without delay if it comes to their attention that the outsourced activity is performed in violation of the law or the underlying contract, thus jeopardizing the interests of policyholders.

#### *106. Obligation of reporting by the chair of the supervisory board*

*Section 272*

The chair of the supervisory board of the insurance or reinsurance company shall send copies of the minutes, motions and reports to the Authority within ten working days following the supervisory board meeting which concern any items on the agenda discussed by the supervisory board, the subject matter of which is a series violation of the internal rules and regulations of the insurance company or a serious case of misconduct within management.

*107. Notifications relating to qualifying interests**Section 273*

(1) The person holding a qualifying interest in a limited insurance or reinsurance company shall notify the Authority within fifteen working days in advance:

- a) if he proposes to terminate his qualifying interest in full, or
- b) if he proposes to alter his ownership interest, voting rights or contract securing an advantage so as to reduce his ownership interest or voting rights below the 20, 33 or 50 per cent limit.

(2) Any person who plans to terminate his controlling influence in an insurance or reinsurance company shall also notify the Authority within fifteen working days prior to the effective date of the transaction.

(3) In the case provided for in Paragraph b) of Subsection (1), the notification shall indicate the ownership interest remaining, the percentage of voting rights or the amendment of the agreement providing substantial advantages.

*Section 274*

(1) The following shall be notified to the Authority in writing within thirty days of the date of transaction:

- a) acquisition of a qualifying interest in a limited insurance or reinsurance company;
- b) termination of a qualifying interest in a limited insurance or reinsurance company
- c) altering a qualifying interest in a limited insurance or reinsurance company whereby:
  - ca) the ownership interest or voting right reaches the 20, 33 or 50 per cent limit, or
  - cb) the ownership interest or voting right drops below the 20, 33 or 50 per cent limit; or
- d) conclusion of a contract securing substantial advantages in connection with an ownership interest or voting right, or the amendment of such contract.

(2) Any person whose controlling influence in an insurance or reinsurance company ceased to exist shall also notify the Authority within thirty days following the effective date of the transaction.

(3) A limited insurance or reinsurance company shall notify the Authority, in writing, within fifteen working days if it receives any information concerning the acquisition, alienation or modification of an ownership interest or voting right of the percentage specified in Subsection (1) of Section 258.

(4) A limited insurance or reinsurance company shall send to the Authority from its internal database, as part of its annual report, the names of shareholders with ownership interests in the percentages defined in Subsection (1) of Section 258 and the size of the interest held by each such shareholder.

*Section 275*

The provisions of this subtitle shall apply mutatis mutandis to cooperative insurance and reinsurance companies.

*108. Supervisory review process and the related powers of control**Section 276*

(1) Within the framework of its control procedures, the Authority shall review and evaluate the strategies, processes and reporting procedures which are established by the insurance and reinsurance companies to comply with the conditions provided for by this Act, or other regulations and administrative provisions adopted relative to insurance activities and in supervisory decisions.

(2) That review and evaluation shall comprise the assessment of the qualitative requirements relating to the system of governance, the assessment of the risks which the insurance or reinsurance companies concerned face or may face and the assessment of the ability of those insurance or reinsurance companies to assess those risks taking into account the environment in which the companies are operating.

(3) The Authority shall in particular review and evaluate compliance with the following:

a) the system of governance, including the own-risk and solvency assessment, as set out in Sections 76-92;

b) technical provisions provided for in the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies, the quality and quantity of own funds, solvency margin requirements, on-going compliance with the requirements for full and partial internal models; and

c) on-going compliance with the investment rules set out in Sections 103-108.

(4) The Authority shall assess the adequacy of the methods and practices of the insurance companies designed to identify possible events or future changes in economic conditions that could have adverse effects on the overall financial standing of the company concerned.

(5) The Authority shall assess the ability of the insurance companies to withstand those possible events or future changes in economic conditions provided for in Subsection (4).

(6) The Authority shall establish the frequency and the scope of those reviews, evaluations and assessments having regard to the nature, scale and complexity of the activities of the insurance or reinsurance companies concerned.

(7) The Authority shall - on a continuous basis - publish on its website supervisory criteria and methods related to the reviews and evaluations under this Section, as well as statistical data compilations at the sectoral level applicable to key areas of the provisions set out in Subsection (3).

(8) The provisions of this Section shall not apply to insurance companies covered by Part Six.

*109. Supervisory control of outsourced activities**Section 277*

(1) The Authority shall have powers to check the activities performed by an outsourcing service provider in the same manner and with the same means as if they were performed by the insurance or reinsurance company.



(2) Upon prior notification of the Authority, the supervisory authority of another Member State where an insurance or reinsurance company that has outsourced its activities to a Hungarian outsourcing service provider is established shall be entitled to inspect the operations of such service provider directly, or with the Authority's involvement.

(3) In carrying out the inspection referred to in Subsection (2) - by an entity other than the supervisory authority or agent of the other Member State -, the Authority shall take action so as to ensure the supervisory activities of the supervisory authority of the other Member State where the insurance or reinsurance company that has outsourced its activities is established.

(4) When so requested by the competent supervisory authority, the Authority shall have the right to inspect the operations on site of the outsourcing service provider performed on the territory of Hungary on behalf of an insurance or reinsurance company established in another Member State, and to request information from the outsourcing service provider.

(5) Where the supervisory authority of another Member State carries out an inspection as provided for in Subsection (2) with the Authority's involvement, EIOPA shall be able to participate in the on-site examinations carried out under Article 21 of Regulation 1094/2010/EU.

#### *Section 278*

(1) Upon prior notification of the competent supervisory authority, the Authority or a duly authorized person shall be entitled to inspect the operations of an outsourcing service provider performed in another Member State, outsourced by an insurance or reinsurance company directly, or with the competent supervisory authority's involvement.

(2) If the Authority is prevented from exercising the right to participate in the on-site examinations provided for in Subsection (1), the Authority may refer the matter to EIOPA, and may request assistance as under Article 19 of Regulation 1094/2010/EU.

(3) Where the supervisory authority of another Member State participates in the inspection provided for in Subsection (1), the Authority shall ensure that EIOPA can participate in the on-site examinations carried out under Article 21 of Regulation 1094/2010/EU.

#### *109/A.1 On-site inspector*

#### *Section 278/A<sup>2</sup>*

(1) In the interest of exercising its supervisory control function in upholding the provisions of this Act and other regulations relating to the business of insurance and reinsurance, the Authority shall have powers to appoint one or more on-site inspectors without causing unnecessary disturbance in the insurance or reinsurance company's operations, as often as deemed necessary, on a provisional basis, for a fixed period of time.

(2) The Authority shall provide letters of authorization to its officers conducting site inspections.

(3) The delegated on-site inspector shall be entitled:

a) to perform any supervisory activity;

b) to participate and make comments as an observer at the meetings of the executive board, any body or committee empowered to make decisions, the supervisory board or at the general (delegate) meeting;

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<sup>1</sup> Enacted by Section 289 of Act LXXXV of 2015, effective as of 2 January 2016.

<sup>2</sup> Enacted by Section 289 of Act LXXXV of 2015, effective as of 2 January 2016.

c) consult with the insurance or reinsurance company's auditor.

(4) The on-site inspector shall be appointed for a term of thirty days, that may be extended by another thirty days in duly justified cases.

(5) If the on-site inspector provided for in this Section finds any infringement, the Authority shall - at the inspector's motion - conduct direct inquiries or special inquiries taking into consideration the gravity of the infringement.

(6) The mandate of the on-site inspector shall terminate upon the expiry of the fixed term or upon the ruling of the Authority.

*110.1 Notification of, and the rules for, setting up a branch to pursue the business of insurance in another Member State*

*Section 279*

(1)<sup>2</sup> Insurance companies established in Hungary shall notify the Authority if they propose to open a branch in another Member State.

(2) The notice referred to in Subsection (1) shall specify:

a)<sup>3</sup> the Member State within the territory of which the insurance company proposes to establish a branch;

b)<sup>4</sup> in the insurance company's system of governance, documents pertaining to the structural organization, management, and control mechanisms of the branch;

c) description of the proposed activities;

d) the scheme of operations;

e) the names of the persons responsible for managing the branch and of the authorized representatives, documents in proof of compliance with fit and proper requirements;

f) the name and address of the branch;

g) if the branch proposes to pursue the business of compulsory motor vehicle liability insurance, a statement of guarantee to discharge its obligations toward the organization that performs - in accordance with the relevant regulations of the host Member State - the functions of the National Bureau and the Compensation Fund as provided for in the MVI.

(3) Upon receipt of the notification referred to in Subsection (1), the Authority shall - within three months from the date of receipt - inform in writing the supervisory authority of the host Member State if:

a)<sup>5</sup> the notifier insurance company's system of governance and financial situation is in compliance with statutory requirements, and

b)<sup>6</sup> the persons responsible for managing the branch of the insurance company and of the authorized representatives comply with fit and proper requirements.

(4)<sup>7</sup> In the information specified in Subsection (3), the Authority shall verify that the insurance company setting up the branch has sufficient funds to cover the solvency capital requirement and minimum capital requirement.

(5) The Authority shall refuse to provide the information under Subsection (3) if:

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1 Enters into force as amended under Paragraph c) of Subsection (1) of Section 72 of Act CLXII of 2015.

2 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

3 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

4 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

5 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

6 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

7 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

a)<sup>1</sup> the insurance company fails to disclose the particulars enumerated in Subsection (2),

b) the notifier insurance company fails to comply with the requirements set out in Subsection (3).

(6)<sup>2</sup> The Authority shall decide on the refusal to give information as defined in Subsection (5) by means of a resolution, and shall deliver it within three months after the date of receipt of the notification under Subsection (1) to the notifier insurance company.

(7)<sup>3</sup> At the time of informing the supervisory authority of the host Member State the Authority shall inform the insurance company of the time when the branch is allowed to start operations in that other Member State in accordance with Subsection (2) of Section 280.

### *Section 280*

(1)<sup>4</sup> After informing the competent supervisory authority of the other Member State within two months under Subsection (3) of Section 279, the Authority shall inform the insurance company regarding the conditions under which the branch is allowed to pursue activities in that other Member State.

(2) Upon receipt of the information referred to in Subsection (1), the branch may be established and commence operations after the two-month disclosure period has passed.

### *Section 281<sup>5</sup>*

In the event of any change in the particulars provided for in Paragraphs b)-g) of Subsection (2) of Section 279, the insurance company, and the branch thereof shall inform the Authority and the supervisory authority of the host Member State in writing, at the latest within one month before the effective date of the change, for initiating the procedures referred to in Subsections (3)-(6) of Section 279, Section 280 and Section 283.

### *Section 282*

(1)<sup>6</sup> Any permanent presence of an insurance company on the territory of a Member State shall be treated in the application of Sections 279-281 in the same way as a branch, even where that permanent presence does not take the form of a branch, but consists merely of an office managed by the own staff of the company or by a person who is independent but has permanent authority to act for the company as a branch would.

(2) The appointment of a claims adjustment representative covered by the MVI shall not in itself constitute the establishment of a branch under this Section.

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1 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

2 Enters into force as under Section 44 of Act CLXII of 2015.

3 Enters into force as under Section 44 of Act CLXII of 2015.

4 Enters into force as amended under Paragraph d) of Subsection (1) of Section 72 of Act CLXII of 2015.

5 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

6 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

*111.1 Handling of notifications between Member States in connection with the branches of insurance companies established in other Member States*

*Section 283*

(1)<sup>2</sup> If the Authority is informed by the supervisory authority of another Member State that an insurance company established in that Member State proposes to set up a branch on the territory of Hungary, the Authority shall supply information to the supervisory authority of the Member State where the insurance company is established within two months concerning the conditions for pursuing the business of insurance in Hungary.

(2)<sup>3</sup> The Hungarian branch of an insurance company established in another Member State may start operations after the information from the Authority - sent to the supervisory authority as provided for in Subsection (1) - has been received or the two-month disclosure period has passed.

(3)<sup>4</sup> The Hungarian branch of an insurance company established in another Member State shall be required to notify the Authority in writing of any changes in the particulars provided for in Paragraphs b)-g) of Subsection (2) of Section 279, or in the data treated as such in the given Member State, at the latest within one month prior to the effective date of the change.

*112. Notification of, and the rules for, the supply of cross-border services*

*Section 284*

(1)<sup>5</sup> When an insurance company that is established in Hungary proposes to engage for the first time in the insurance and/or reinsurance business in another Member State in the form of cross-border activity, it shall notify the Authority in advance thereof and shall specify the types of risks it proposes to cover in that other Member State.

(2) Within one month of receiving the notification referred to in Subsection (1), the Authority shall inform the competent supervisory authority of the other Member State:

a)<sup>6</sup> concerning the classes of insurance activity for which the insurance company is authorized;

b)<sup>7</sup> concerning the classes of insurance activities it wishes to engage in the other Member State;

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1 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

2 Enters into force as amended under Paragraphs e)-f) of Subsection (1) of Section 72 of Act CLXII of 2015.

3 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

4 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

5 Enters into force as amended under Paragraphs b), f) of Subsection (1) of Section 72 of Act CLXII of 2015. Amended by Point 8 of Section 181 of Act CXXVI of 2018.

6 Enters into force as amended under Paragraphs b), f) of Subsection (1) of Section 72 of Act CLXII of 2015.

7 Enters into force as amended under Paragraph g) of Subsection (1) of Section 72 of Act CLXII of 2015.

c)<sup>1</sup> whether the insurance company possesses sufficient funds to cover the solvency capital requirement and minimum capital requirement provided for in the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies;

d) if the insurance company proposes to pursue the business of compulsory motor vehicle liability insurance in the form of cross-border services:

da) the name and address of claims representatives operating in all Member States,

db) a statement of guarantee to discharge its obligations toward the organization that performs - in accordance with the relevant regulations of the host Member State - the functions of the National Bureau and the Compensation Fund as provided for in the MVI.

(3) The Authority shall refuse to provide the information under Subsection (2) if:<sup>2</sup>

a) the insurance or reinsurance company fulfills the notification requirement provided for in Subsection (1) incompletely;

b)<sup>3</sup> if the notifier insurance company's system of governance and financial situation does not comply with statutory provisions, including in particular whether the insurance company possesses sufficient funds to cover the solvency capital requirement and minimum capital requirement provided for in the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies.

(4)<sup>4</sup> The Authority shall decide on the refusal to give information as defined in Subsection (3) by means of a resolution, and shall deliver it within one month after the date of receipt of the notification under Subsection (1) to the notifier insurance company.

(5)<sup>5</sup> At the time of informing the supervisory authority of the host Member State the Authority shall inform the insurance company of the time when it is allowed to start cross-border operations in that other Member State in accordance with Subsection (1) of Section 285.

### Section 285

(1)<sup>6</sup> The insurance company may commence operations in the other Member State on the day following the date when the provided the information specified in Subsection (2) of Section 284.

(2)<sup>7</sup> In the event of any changes in the particulars provided for in Subsections (1) and (2) of Section 284, the insurance company shall notify the Authority thereof in accordance with Subsection (1) of Section 284 within fifteen days from the effective date of such change, where the Authority's ensuing action shall be governed by Subsections (2)-(3) of Section 284.

### *113. Handling of notifications between Member States in connection with cross-border services provided by insurance and reinsurance companies established in other Member States*

1 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

2 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

3 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

4 Enters into force as under Section 45 of Act CLXII of 2015.

5 Enters into force as under Section 45 of Act CLXII of 2015.

6 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015. Amended by Point 24 of Subsection (1) of Section 175 of Act LIII of 2016.

7 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015.

*Section 286<sup>1</sup>*

Upon receipt of notice from the competent supervisory authority of another Member State in regard to the fact that an insurance company that is established under its jurisdiction is planning to engage in insurance and/or reinsurance activities for the first time in the form of cross-border services, the Authority shall inform the supervisory authority of the Member State where the insurance company is established of the Hungarian regulations pertaining to such activities.

*114. Statistical information on cross-border activities**Section 287*

(1)<sup>2</sup> Insurance companies established in Hungary shall inform the Authority - in accordance with the provisions decreed by the Governor of the Magyar Nemzeti Bank (*National Bank Of Hungary*) - once a year, in respect of activities carried out in other Member States through a branch or in the form of cross-border services, of the amount of the premiums, claims and remunerations, without deduction of reinsurance, by Member State, separately by each of the classes, for life insurance and non-life insurance alike.

(2) In addition to Subsection (1), as regards compulsory motor vehicle liability insurance, the insurance company concerned shall also inform the Authority of the frequency and average cost of claims.

(3) The Authority shall forward the information referred to in Subsections (1) and (2) within thirty days of receipt of the request, in aggregate form to the supervisory authorities of each of the Member States concerned.

*115. Provisions relating to the supervision of the activities of the Hungarian branches of insurance and reinsurance companies established in other Member States, or their activities performed in Hungary in the form of cross-border services**Section 288*

The Authority may periodically request information from the branches of insurance companies established in other Member States, or from insurance companies established in other Member States in connection with their activities performed in the form of cross-border services concerning the terms and conditions for the insurance policies they provide and the related documents in order to verify their compliance with the laws pertaining to insurance contracts.

*Section 289*

(1) If an insurance company established in another Member State that is engaged in operations on the territory of Hungary through a branch or in the form of cross-border services infringes upon Hungarian regulations on branches and cross-border services, or if the Authority identifies any discrepancies in their operations, the Authority shall instruct the branch or the parent insurance company to bring its operations into compliance with said regulations.

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1 Enters into force as amended under Paragraph b) of Subsection (1) of Section 72 of Act CLXII of 2015. Amended by Paragraph e) of Section 214 of Act CXLV of 2017, Point 9 of Section 181 of Act CXXVI of 2018.

2 Enters into force as under Section 46 of Act CLXII of 2015. Amended by Paragraph f) of Section 213 of Act CXLV of 2017.

(2) If the branch or the parent insurance company fails to comply with the Authority's instruction in due time, the Authority shall notify the supervisory authority of the home Member State and shall move for taking the measures it considers appropriate.

(3)<sup>1</sup> If the measures taken by the supervisory authority of the home Member State fail to eliminate the infringement, the Authority shall have powers to take the measures referred to in Paragraphs *a)-g)*, *i)* and *q)* of Subsection (1) of Section 291 following notification of the supervisory authority of the home Member State, or may refer the matter to EIOPA and may request its assistance in accordance with Article 19 of Regulation 1094/2010/EU.

(4) The Authority, in order to prevent the conclusion of new insurance contracts in the event of any infringement of Hungarian laws, may proceed - in derogation of Subsections (1)-(3) - if the infringement poses a serious threat to the stability of the insurance industry or to the interests of policyholders.

(5) If, on the basis of information in its possession the Authority is of the opinion that the operations of an insurance company that is established in another Member State and performed in Hungary through its branch or in the form of cross-border services have jeopardized the financial stability of the insurance company, the Authority shall notify the competent supervisory authority of the home Member State.

(6) If the supervisory authority of the home Member State of an insurance company that has a branch in Hungary has withdrawn the authorization of the parent insurance company and has notified the Authority accordingly, the Authority shall take all measures it deems appropriate to prevent the insurance company affected to continue the pursuit of insurance activities.

(6a)<sup>2</sup> As regards any insurance company established in another Member State that is pursuing activities on the territory of Hungary in the form of cross-border services or through a Hungarian branch, whose authorization has been withdrawn - in part or in whole - by the supervisory authority of the home Member State, the Authority shall post a notice on its website on the decision for the withdrawal of authorization after gaining knowledge thereof.

(7) The provisions set out in Subsections (1), (3)-(6) shall apply to reinsurance companies established in other Member States and providing services in Hungary through a branch or in the form of cross-border services, with the proviso that the Authority shall inform the supervisory authority of the home Member State upon taking the measure referred to in Subsection (1) and on the findings of the supervisory proceedings underlying such measure.

(8)<sup>3</sup>

### Section 290

(1) Upon prior notification of the Authority, the supervisory authority of another Member State where an insurance or reinsurance company that is engaged in operations on the territory of Hungary through a branch or in the form of cross-border services is established shall be entitled to inspect the operations of such branch or the cross-border service on the territory of Hungary; the inspection may be carried out by the supervisory authority itself or by a person it has authorized.

(2) The Authority may take part in the inspection referred to in Subsection (1).

(3) When so requested by the competent supervisory authority, the Authority shall have the right to inspect the operations of an insurance or reinsurance company established in another Member State that are performed in Hungary through its branch or in the form of cross-border services and to request information from the insurance company.

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1 Enters into force as under Section 47 of Act CLXII of 2015.

2 Enters into force as under Section 10 of Act CXLVII of 2015.

3 Repealed by Paragraph d) of Section 182 of Act CXXVI of 2018, effective as of 29 December 2018.

*115/A.1 Notifications in the case of cross-border activities**Section 290/A<sup>2</sup>*

(1) Where the Authority intends to authorize an insurance or reinsurance company whose scheme of operations indicates that a part of its activities will be based on the freedom to provide services or the freedom of establishment in another Member State, and that scheme of operations also indicates that those activities are likely to be of relevance with respect to the host Member State's market, the Authority shall notify EIOPA and the supervisory authority of the relevant host Member State thereof.

(2) The Authority shall, in addition to the notification provided for in Subsection (1), also notify EIOPA and the supervisory authority of the relevant host Member State where it identifies deteriorating financial conditions or other emerging risks posed by an insurance or reinsurance company carrying out activities which are based on the freedom to provide services or the freedom of establishment and which may have a cross-border effect.

(3) The Authority may also notify the supervisory authority of the relevant home Member State where it has serious and reasoned concerns with regard to consumer protection relating to the activity of an insurance or reinsurance company established in another Member State based on the freedom to provide services or the freedom of establishment.

(4) In the cases under Subsections (2) and (3), if the Authority and the supervisory authority of the other Member State are unable to find a bilateral solution, they may refer the matter to EIOPA and request its assistance.

(5) The notifications referred to in Subsections (1)-(3) shall be sufficiently detailed to allow for a proper assessment.

(6) The notifications referred to in Subsections (1)-(3) are without prejudice to the supervisory mandate of the Authority.

*115/B.3 Collaboration platforms for cross-border activities**Section 290/B<sup>4</sup>*

(1) The Authority may, in the case of justified concerns about negative effects on policy holders, request EIOPA to set up and coordinate a collaboration platform to strengthen the exchange of information and to enhance collaboration between the relevant supervisory authorities where an insurance or reinsurance company carries out, or intends to carry out, activities which are based on the freedom to provide services or the freedom of establishment and where:

- a) such activities are of relevance with respect to the Hungarian market;
- b) a notification by the supervisory authority of the home Member State has been made under Subsection (2) of Section 290/A of deteriorating financial conditions or other emerging risks; or
- c) the matter has been referred to EIOPA under Subsection (4) of Section 290/A.

(2) Subsection (1) is without prejudice to the right of the relevant supervisory authorities to set up a collaboration platform where they all agree to do so.

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1 Enacted by Section 188 of Act CX of 2020, effective as of 26 June 2021.

2 Enacted by Section 188 of Act CX of 2020, effective as of 26 June 2021.

3 Enacted by Section 188 of Act CX of 2020, effective as of 26 June 2021.

4 Enacted by Section 188 of Act CX of 2020, effective as of 26 June 2021.



(3) The setting up of a collaboration platform pursuant to Subsections (1) and (2) is without prejudice to the supervisory mandate of the Authority either as the supervisory authority of the home Member State or the host Member State.

(4) Without prejudice to Article 35 of Regulation 1094/2010/EU, at the request of EIOPA, the Authority - if considered a relevant authority - shall provide all necessary information in a timely manner to allow for the proper functioning of the collaboration platform.

## CHAPTER XXII

### MEASURES AND ACTIONS OF THE AUTHORITY

#### *116. General rules relating to actions taken by the Authority*

##### *Section 291*

(1) In order to enforce the obligations of insurance and reinsurance companies and to safeguard the interests of clients, and in order to enforce compliance with the provisions of this Act and other relevant regulations on insurance and reinsurance activities, and with the Authority's resolutions, the Authority shall have powers to take the following actions:

*a)* issue a warning to the insurance or reinsurance company, and also to its senior executive to comply with the provisions of this Act and other laws and regulations governing the pursuit of the business of insurance or reinsurance;

*b)* order the cessation of the infringement or prohibit any further infringement;

*c)* order the insurance or reinsurance company to take measures within the prescribed time limit to ensure compliance with the provisions of laws and regulations governing the pursuit of the business of insurance or reinsurance, and to eliminate any deficiencies uncovered;

*d)* order the suspension or prohibition of marketing of certain insurance products;

*e)* impose a fine upon the insurance or reinsurance company or its senior executive or non-management officer;

*f)* establish an obligation for disclosing specific data or information;

*g)* order the insurance or reinsurance company:

*ga)* to draw up new internal regulations within the time limit prescribed, or to revise or apply the existing regulations along specific guidelines,

*gb)* to provide within the time limit prescribed further training to its employees (managers) or to hire employees (managers) with the appropriate professional skills,

*gc)* to conduct within the time limit prescribed an investigation in the interest of determining responsibilities for the damages caused and to initiate proceedings against the responsible person;

*h)* convene the management body, supervisory board or the supreme body and set the agenda for such meetings, and advise these bodies to put specific items on the agenda for making certain specific decisions;

*i)* withdraw the authorization granted for the appointment of a senior executive or a non-management officer, initiate disciplinary actions against employees and move for having the auditor dismissed;

*j)* prohibit or make subject to conditions the outsourcing of an activity;

*k)* require the insurance or reinsurance company to take measures for the reinforcement of the arrangements, processes, mechanisms and strategies relating to its internal control mechanism, corporate governance functions, risk management procedures and internal models for own-risk and solvency assessment;

*l)* advise the insurance or reinsurance company;

- la)* to reduce operating expenses,
- lb)* to establish adequate technical provisions or technical provisions of accountancy;
- lc)* to recalculate the solvency margin requirement and to maintain solvency margin as appropriate,
- ld)* to preserve or restore its financial soundness;
- m)* order
  - ma)*<sup>1</sup> the insurance or reinsurance company not covered by Part Six to submit a finance scheme or a recovery plan, or
  - mb)*<sup>2</sup> the small insurance company covered by Part Six to submit a recapitalization plan, finance scheme or a financial recovery plan;
  - n)* order the insurance or reinsurance company to transfer its insurance portfolio, if there is an insurance or reinsurance company willing to take it over;
  - o)* impose additional capital requirements upon the insurance or reinsurance company;
  - p)* order the insurance or reinsurance company to draw up and execute an action plan;
  - q)* prohibit, limit or make subject to conditions:
    - qa)* the payment of dividends,
    - qb)* the payment of remuneration of senior executives and non-management officers,
    - qc)* transactions between the owners and senior executives, and between enterprises belonging to their sphere of interests and the insurance company,
    - qd)* the conclusion of new insurance contract, the renewal of existing contracts,
    - qe)* exercise of the right of disposition over the assets of the insurance or reinsurance company,
    - qf)* operations in specific classes of insurance, risks or risk groups, and the pursuit of activities involved in or closely related to insurance,
    - qg)*<sup>3</sup> the settlement of insurance contracts, their repurchase in part or in full, and the provision of policy loans;
  - q)* *prohibit, limit or make subject to conditions:]*
  - r)* appoint a supervisory commissioner;
  - s)* suspend its activity license in part or in whole;
  - t)* withdraw its foundation permit or activity license issued;
  - u)*<sup>4</sup> order insurance and reinsurance companies to make public the information provided for in the Government Decree on the Contents and Means of Publication of Solvency and Financial Condition Reports Connected to Insurance and Reinsurance Activities;
  - v)*<sup>5</sup> in the event of infringement of conduct of business rules relating to the distribution of insurance-based investment products by a senior executive, ban such senior executive for a specific period of time - excluding supervisory board members - from discharging his functions;
  - w)*<sup>6</sup> order the insurance company to remove its contributor or ancillary insurance intermediary (including the person referred to in Subsection (1) of Section 368) from its internal records.

(2) The measures described in Subparagraphs *qd)-qf)* of Paragraph *q)* of Subsection (1) may be taken by the Authority for a specific period of time of not more than one year. The Authority may extend this time limit on one occasion by a maximum period of six months.

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1 Amended by Point 25 of Subsection (1) of Section 175 of Act LIII of 2016.

2 Amended by Paragraph f) of Section 214 of Act CXLV of 2017.

3 Enters into force as under Subsection (1) of Section 48 of Act CLXII of 2015.

4 Enters into force as under Subsection (2) of Section 48 of Act CLXII of 2015.

5 Enacted by Section 172 of Act CXLV of 2017, effective as of 23 February 2018.

6 Enacted by Section 172 of Act CXLV of 2017, effective as of 23 February 2018.

(3) The Authority may order the measure specified in Subparagraph *qg*) of Paragraph *q*) of Subsection (1) for a maximum period of ninety days.

(4) In connection with public limited companies, by way of derogation from the Civil Code, in the application of Paragraph *h*) of Subsection (1) the general meeting shall be called twenty-one days in advance.

(5) The provisions of the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies shall apply to the measures provided for in Paragraph *o*) of Subsection (1).

(6) In the application of the measures referred to in Subsection (1), the Authority shall proceed so as to ensure that the insurance or reinsurance company operates safely and in accordance with the law, or to restore its lawful operation.

(7) The measures taken shall be necessary and suitable to implement the objectives described in Subsection (6), and the authenticity and substantiality of the grounds of the measure shall be explained exhaustively in the resolution adopted on the measure.

(8)<sup>1</sup> The measure referred to in Paragraph *p*) of Subsection (1) may be taken also if there is reasonable cause to allege, relying on facts from the operational history of the insurance company or reinsurance company, that the insurance company or reinsurance company will not comply with the provisions of this Act and other regulations governing the pursuit of insurance and reinsurance activities within one year from the time of detecting such facts, thus jeopardizing the interests of insured persons.

(9)<sup>2</sup> In order to ensure that special purpose vehicles fulfill their obligations, and that such special purpose vehicles operate in compliance with the regulations on such activities and with the Authority's resolutions, the Authority may introduce the measures provided for in Paragraphs *a*)-*e*), *h*), *r*) and *t*) of Subsection (1), with the proviso that where any reference is made in such provisions to insurance companies, it shall be construed as special purpose vehicles.

### Section 292

(1) If the insurance or reinsurance company fails to comply with the Authority's instruction for calling the general meeting, the Authority may initiate at the court of registry the convening of the general meeting.

(2) In the request referred to in Subsection (1), the Authority shall present a proposal as to the time, location and agenda of the general meeting.

(3) The court of registry shall adopt a decision on calling the general meeting within eight days.

### Section 293

The Authority may suspend the voting rights of the owners of the insurance or reinsurance company for a specific period of time of not more than one year if the member's activity or influence exercised upon the insurance or reinsurance company is considered, relying on the available facts, to jeopardize the company's reliable and prudent operation. In such cases the votes effected by such restriction shall not be included for the purposes of quorum.

### Section 293/A<sup>3</sup>

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1 Enacted by Section 163 of Act LIII of 2016, effective as of 1 July 2016.

2 Enacted by Section 163 of Act LIII of 2016, effective as of 1 July 2016.

3 Enacted by Section 173 of Act CXLV of 2017, effective as of 23 February 2018.

Where the MNB has taken the measure referred to in Subsection (1) of Section 291 for an infringement of statutory requirements relating to insurance or reinsurance distribution, in the application of said measure the MNB shall take into account all relevant circumstances including, where appropriate, Paragraphs *a)*, *e)-g)* of Subsection (4) of Section 75, and:

- a)* the degree of responsibility of the person responsible for the infringement;
- b)* the financial strength of the person responsible for the infringement, as indicated by its total turnover in the case of a legal person or the annual income in the case of a natural person;
- c)* the duration of the infringement, and measures taken by the person responsible for the infringement to prevent its repetition;
- d)* previous infringements by the person responsible for the infringement.

### *117. Supervision fines*

#### *Section 294*

The Authority may impose a supervisory fine upon the insurance or reinsurance company, or chief executive officer or non-management officer thereof:

- a)* for any infringement of the provisions of this Act or other regulations relating to insurance activities and other activities involved in or closely related to insurance;
- b)* for failure to comply or for late compliance with the supervisory decision; or
- c)* for failure to comply with any data disclosure requirement ordered by the Authority within the prescribed deadline.

### *118. Supervisory commissioner*

#### *Section 295*

(1) The Authority shall have powers to appoint a supervisory commissioner in insurance emergencies provided for in Section 320.

(2) The supervisory commissioner shall be responsible for observing and enforcing the provisions of this Act.

(3) The maximum term of appointment of a supervisory commissioner shall be one hundred and eighty days.

(4) In liquidation proceedings, the supervisory commissioner's tenure shall expire when the liquidator is appointed. The term referred to in Subsection (3) may be extended until such time as the liquidator's appointment.

#### *Section 296*

The owners or members with qualifying interests shall be notified concerning the appointment.

#### *Section 297*

(1) For the period of appointment, the supervisory commissioner shall exercise the rights of members of the management body provided for by law and the articles of association. The responsibilities of the supervisory commissioner shall be defined in the letter of authorization.

(2) During the period of the supervisory commissioner's tenure, members of the management body may not perform their tasks and exercise their signatory rights as described in the statutory provisions governing limited companies, cooperative societies and associations, and the articles of association.

(3)<sup>1</sup> By way of derogation from Subsection (2), members of the management body and the supervisory board shall have the right to challenge - also during the period of appointment of the supervisory commissioner - the resolution appointing the supervisory commissioner and the decision under Subsection (2) of Section 181 on the opening of liquidation proceedings, and the resolution the Authority has adopted against the insurance or reinsurance company accruing any rights or obligations.

(4)<sup>2</sup> Members of the management body and the supervisory board shall be treated - with regard to bringing action as referred to in Subsection (3) - as a party having the right to bring action within the meaning of Paragraph *a*) of Section 17 of Act I of 2017 on the Code of Administrative Procedure, and shall have the right to represent the insurance or reinsurance company in the administrative action, or delegate a representative on the insurance or reinsurance company's behalf.

### *Section 298*

If requested in writing, the supervising commissioner shall, within three days, inform the concerned owners (members) of the measures he has taken in writing.

### *Section 299<sup>3</sup>*

In the case of mutual associations, where either of the circumstances specified in Subsection (2) of Section 71/G of Act CLXXXI of 2011 on the Registration of Civil Society Organizations and on the Related Procedural Regulations apply, the court shall forthwith notify the Authority.

## *119. Suspending and prohibiting the marketing of an insurance product*

### *Section 300*

(1) In respect of a product that is already being marketed, if the Authority concludes that:

*a*) the product or the way it is marketed is illegal or manifestly violate the interests of policyholders,

*b*) the premium calculation fails to comply with actuarial requirements, or

*c*) the insurance company did not submit a product strategy or the product strategy submitted does not comply with Annex 3,  
the Authority shall instruct the insurance company to eliminate the infringement, injury, error or discrepancy by the prescribed deadline.

(2) If the infringement, injury, error or discrepancy mentioned in Subsection (1) results in serious harm in the interest of policyholders, the Authority may suspend the marketing of such product until such time as the infringement, injury, error or discrepancy is eliminated.

(3) If the Authority ordered the suspension of an insurance product, the insurance company affected shall publish the decision of suspension and the description of the product in question on its website within two working days of receipt of the resolution of suspension.

### *Section 301*

(1) The Authority shall prohibit the marketing of an insurance product if the insurance company fails to comply with the obligation provided for in Subsection (1) of Section 300.

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1 Established by Subsection (6) of Section 483 of Act L of 2017, effective as of 1 January 2018.

2 Established by Subsection (6) of Section 483 of Act L of 2017, effective as of 1 January 2018.

3 Amended by Paragraph *g*) of Section 214 of Act CXLV of 2017.

(2) If the Authority prohibited the marketing of an insurance product, the insurance company affected shall publish the decision of prohibition and the description of the product in question on its website within two working days of receipt of the resolution of prohibition.

### *120. Suspension of activity license*

#### *Section 302*

(1) The Authority may suspend - in part or in whole - the operations of an insurance or reinsurance company that operates in serious violation of the statutory provisions governing insurance or reinsurance activities, if there is reasonable possibility that the legality of operations can be restored during the suspension period.

(2) The period of suspension may not exceed six months.

### *121. Withdrawal of the authorization of establishment*

#### *Section 303*

The authorization of establishment of an insurance or reinsurance company may be withdrawn only if:

- a) it was obtained by deceiving the Authority or by any other unlawful means;
- b) the insurance or reinsurance company fails to submit the application for authorization for the taking up of operations within ninety days of delivery of the authorization of establishment; or
- c) the insurance or reinsurance company no longer complies during the time period referred to in Paragraph b) with the requirements prescribed for the authorization of establishment.

### *122. Withdrawal of activity license*

#### *Section 304*

(1) The authorization of an insurance or reinsurance company to conduct business may be withdrawn in part or in whole only if:

- a) the insurance or reinsurance company does not make use of the authorization to conduct insurance or reinsurance business within one year from the date of the authorization;
- b) the insurance or reinsurance company obtained the authorization for conducting business by deceiving the Authority or by any other unlawful means;
- c) the insurance or reinsurance company ceases to pursue business for more than six months;
- d) the insurance or reinsurance company fails to reinstate operations after expiry of the suspension period;
- e) the measures imposed during the suspension of insurance operations did not eliminate the infringement for which they were imposed;
- f) the insurance or reinsurance company repeatedly and seriously violates the regulations on insurance activities and the actions defined in Section 291 have been ineffective;
- g) the insurance or reinsurance company is no longer able to meet the requirements for authorization following the time limit prescribed by the Authority for compliance;

h) the measures imposed by the Authority for eliminating the insurance emergency have been ineffective, and any further action is unlikely to eliminate the infringement; or

i) in spite of regulatory measures, the insurance or reinsurance company fails to meet its due and undisputed payment obligations within fifteen working days due to lack of financial cover, or the debts of the insurance company consistently exceed its equity (overindebtedness);

j) the insurance or reinsurance company does not comply with the minimum capital requirement and the finance scheme submitted to the Authority is manifestly inadequate or the company concerned fails to comply with the approved scheme within three months from the observation of non-compliance with the minimum capital requirement.

(2) In addition to what is contained in Subsection (1), the authorization of the branch of a third-country insurance company shall be withdrawn if the authorization of the third-country insurance company has been withdrawn by the supervisory authority of the home State.

(3)<sup>1</sup> After the authorization is withdrawn, no new insurance contract may be concluded, the existing underwriting liabilities of the insurance company in the terms and conditions of existing contracts may not be increased and the insurance contracts may not be renewed. Underwriting liabilities from insurance contracts must be satisfied even after the activity license was withdrawn.

(4) If the Authority has withdrawn the authorization of an insurance company, it shall take all appropriate measures to protect the interests of policyholders. Thus, for example, the Authority may limit, in part or in full, the insurance company's right of disposition over its assets.

(5)<sup>2</sup> The Authority shall notify the supervisory authorities of all Member States concerning the withdrawal of authorization of an insurance company and shall publish it in the Official Journal of the European Union.

(6) If authorization for conducting business is withdrawn, insofar as the obligations arising out of, or in connection with, insurance contracts or until the insurance portfolio is transferred, the Authority shall oversee compliance with the provisions of this Act and other insurance related legislation and with the measures taken under Subsection (4) in connection with carrying out the obligations arising out of, or in connection with insurance contracts.

### *123. Auditor's dismissal*

#### *Section 305*

(1) If an auditor fails to comply with his obligations prescribed in Section 71, the Authority shall be authorized to order the insurance or reinsurance company concerned to terminate the auditor's mandate and at the same time to appoint another one who satisfies the requirements laid down in Subsection (2) of Section 70.

(2) In the context of taking the measure referred to in Subsection (1) the Authority shall have powers to initiate the withdrawal of the auditor's certification to audit insurance companies.

### *124. Prohibition of outsourcing, setting conditions for outsourcing*

#### *Section 306*

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<sup>1</sup> Established by Section 164 of Act LIII of 2016, effective as of 1 July 2016.

<sup>2</sup> Enters into force as amended under Point 9 of Section 67 of Act CLXII of 2015.

(1) If it comes to the Authority's attention that an insurance or reinsurance company failed to discharge its obligation under Subsection (2) of Section 91, it may order the suspension of the outsourcing arrangement until such time as the legality of outsourcing can be restored.

(2) If the measure provided for in Subsection (1) proved ineffective by the deadline prescribed by the Authority, the Authority may decide to prohibit the outsourcing arrangement.

### *125. Non-compliance with technical provisions*

#### *Section 307*

(1) Where an insurance or reinsurance company does not comply with the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies relating to technical provisions, the Authority may - by means of resolution - prohibit the free disposal of the insurance company's assets. The Authority shall designate the assets to be covered by such measures.

(2)<sup>1</sup> In the case of an insurance company that has a branch in another Member State, or that pursues the business of insurance and/or reinsurance in another Member State in the form of cross-border services, the Authority shall inform the supervisory authority of the host Member State before adopting the resolution on the measure provided for in Subsection (1).

#### *Section 308<sup>2</sup>*

In the case of an insurance company established in another Member State, that has a branch in Hungary or that pursues the business of insurance and/or reinsurance in Hungary in the form of cross-border services, the Authority shall - by way of a resolution - restrict or prohibit the free disposal of the assets of that insurance company which are located on the territory of Hungary, as designated by the supervisory authority of that Member State, after receipt of the request for taking the measure specified in Section 303 or a similar measure.

### *126. Non-compliance with the solvency capital requirement*

#### *Section 309*

(1) Within two months after the notification under Paragraph c) of Subsection (1) of Section 267 the insurance or reinsurance company concerned shall submit a recovery plan for approval by the Authority.

(2) The Authority shall approve the recovery plan referred to in Subsection (1) hereof if it is suitable to enable the insurance or reinsurance company concerned to achieve, within six months after the notification under Paragraph c) of Subsection (1) of Section 267,

a) the re-establishment of the level of eligible own funds covering the solvency capital requirement, or

b) the reduction of its risk profile to ensure compliance with the solvency capital requirement.

#### *Section 310*

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<sup>1</sup> Amended by Point 8 of Section 181 of Act CXXVI of 2018.

<sup>2</sup> Amended by Point 8 of Section 181 of Act CXXVI of 2018.



(1)<sup>1</sup> The six-month period of the recovery plan approved for the re-establishment of the level of the solvency capital requirement, and/or for the reduction of the risk profile, may be extended by three months at the insurance or reinsurance company's request.

(2) In exceptional adverse situations, where the financial situation of insurance or reinsurance companies representing a significant share of the market or of the affected lines of business are seriously or adversely affected by:

- a) a fall in financial markets which is unforeseen, sharp and steep; or
- b) a persistent low interest rate environment; or
- c) a high-impact catastrophic event;

the Authority may extend the approval provided for in Subsection (1) at the request of the insurance or reinsurance company affected by up to seven years.

(3) In exceptional adverse situations under Subsection (2) the Authority shall grant approval taking into account all relevant factors, such as the average remaining duration of technical provisions.

(4) The existence of exceptional adverse situations shall be declared following a request by the supervisory authority concerned with the involvement of EIOPA - without prejudice to the powers of EIOPA under Article 18 of Regulation 1094/2010/EU -, following consultation with the European Systemic Risk Board where necessary.

(5) The conditions referred to in Subsection (2) shall be assessed on a regular basis in cooperation with EIOPA, and if according to the findings of such assessment the exceptional adverse situation has ceased to exist it shall be so declared.

(6) The insurance or reinsurance companies concerned shall, every three months, submit a progress report to the Authority setting out the measures taken and the progress made to re-establish the level of eligible own funds covering the solvency capital requirement or to reduce the risk profile to ensure compliance with the solvency capital requirement.

(7) The extension referred to in Subsection (2) shall be withdrawn where that progress report shows that there was no significant progress in achieving the re-establishment of the level of eligible own funds covering the solvency capital requirement or the reduction of the risk profile to ensure compliance with the solvency capital requirement between the date of the observation of non-compliance and the date of the submission of the progress report.

(8) In exceptional circumstances, where the Authority is of the opinion that the financial situation of the insurance company concerned will deteriorate further notwithstanding the measures taken and the progress made to re-establish the level of the solvency capital requirement or to reduce the risk profile to ensure compliance with the solvency capital requirement, it may restrict or prohibit the free disposal of the assets of that insurance company.

### *Section 311*

In the case of an insurance or reinsurance company established in another Member State, that has a branch in Hungary or that pursues the business of insurance or reinsurance in Hungary in the form of cross-border services, the Authority shall - by way of a resolution - restrict or prohibit the free disposal of the assets of that insurance or reinsurance company which are located on the territory of Hungary, as designated by the supervisory authority of that Member State, after receipt of the request for taking the measure specified in Subsection (8) of Section 310, or a similar measure.

### *127. Non-compliance with the minimum capital requirement*

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1 Amended by Point 10 of Section 181 of Act CXXVI of 2018.

*Section 312*

(1) Within one month after the notification under Paragraph *d*) of Subsection (1) of Section 267 the insurance or reinsurance company concerned shall submit a finance scheme for approval by the Authority.

(2) The Authority shall approve the scheme referred to in Subsection (1) hereof if it is suitable to enable the insurance or reinsurance company concerned to achieve, within three months after the notification under Paragraph *d*) of Subsection (1) of Section 267,

*a*) the re-establishment of at least the level of eligible own funds covering the minimum capital requirement, or

*b*) the reduction of its risk profile to ensure compliance with the minimum capital requirement.

(3) In the event of non-compliance with the finance scheme, the Authority may - by means of a resolution - restrict or prohibit the free disposal of the insurance or reinsurance company's assets. The Authority shall designate the assets to be covered by such measures.

(4) In the case of an insurance or reinsurance company that has a branch in another Member State, or that pursues the business of insurance or reinsurance in another Member State in the form of cross-border services, the Authority shall inform the supervisory authority of the host Member State on the measure provided for in Subsection (3).

*Section 313*

In the case of an insurance or reinsurance company established in another Member State, that has a branch in Hungary or that pursues the business of insurance or reinsurance in Hungary in the form of cross-border services, the Authority shall - by way of a resolution - restrict or prohibit the free disposal of the assets of that insurance or reinsurance company which are located on the territory of Hungary, as designated by the supervisory authority of that Member State, after receipt of the request for taking the measure specified in Subsection (3) of Section 312, or a similar measure.

*128. Common provisions relating to finance schemes and recovery plans**Section 314*

(1) Finance schemes and recovery plans shall include the following, in addition to what is contained in Subsection (2) of Section 309 and Subsection (2) of Section 312:

*a*) estimates of management expenses;

*b*) a plan setting out detailed estimates of income and expenditure in respect of direct insurance business, including reinsurance acceptances and reinsurance cessions;

*c*) a forecast balance sheet;

*d*)<sup>1</sup> estimates of the financial resources from insurance and reinsurance contracts intended to cover underwriting liabilities and the minimum capital requirement and solvency capital requirement;

*e*) the overall reinsurance policy.

(2) The Authority - in order to monitor the implementation of the finance scheme and recovery plan - may order the insurance company to supplement the finance scheme and recovery plan, that contains the requirements set out in Subsection (1) for a period of not more than three years.

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1 Amended by Point 26 of Subsection (1) of Section 175 of Act LIII of 2016.

(3) If the finance scheme and recovery plan the insurance company has submitted is incomplete, or they fail to satisfy the requirements set out by law, or they contain impracticable or unreasonable stipulations, the Authority shall, within fifteen working days or twenty-two working days of receiving the finance scheme and recovery plan, respectively, request - on one occasion - the insurance company to provide additional information or amend the scheme or plan.

(4) In ordering additional information or amending the scheme or plan, the Authority shall notify the insurance company that in the event of non-compliance the Authority shall make a decision on the basis of the data available.

### Section 315

Following the approval of the finance scheme or the recovery plan, the Authority may refuse to issue the certificate referred to in Subsection (3) of Section 256 for as long as it considers that the rights of the policyholders, or the contractual obligations of the reinsurance company are threatened.

### *129. Finance scheme, recapitalization plan and financial recovery plan of small insurance companies<sup>1</sup>*

### Section 316

(1) The Authority shall instruct small insurance companies covered by Part Six to prepare a finance scheme if:

a) the insurance company's solvency margin is below the minimum guarantee fund requirement;

b) the technical provisions of accountancy of the insurance company are below the amount required or if the cover for technical provisions of accountancy is insufficient; or

c) if the insurance company's liabilities from bond issue, credit and other non-insurance-related transactions - not including loan capital - on the aggregate exceed twenty-five per cent of the insurance company's own funds.

(2) The finance scheme shall contain measures specified by the Authority so as to remedy the situations defined under Subsection (1) within a period of six months. The insurance company shall submit its finance scheme to the Authority for approval within thirty days of the time of delivery of the Authority's decision.

(3) The Authority shall, within thirty days from the day following the date of receipt of the finance scheme, determine whether the finance scheme is able to remedy the situations defined under Subsection (1).

(4) At the time of ordering the insurance company to prepare a finance scheme, and if the finance scheme is rejected or not carried out, the Authority shall be empowered to take the measures defined in Section 287.

### Section 317

(1)<sup>2</sup> If the available solvency margin of a small insurance company covered by Part Six has fallen below the minimum solvency capital requirement provided for in the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies and if the general meeting does not adopt a recapitalization to re-establish it within a period of one year, the Authority shall instruct such insurance company to prepare a recapitalization plan for re-establishing the minimum solvency margin requirement.

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<sup>1</sup> Amended by Paragraph f) of Section 214 of Act CXLV of 2017.

<sup>2</sup> Amended by Paragraph f) of Section 214 of Act CXLV of 2017.

(2)<sup>1</sup> The recapitalization plan shall cover a maximum period of one year, and it shall specify the manner and the timetable for re-establishing the minimum requirement. The insurance company shall submit its recapitalization plan to the Authority for approval within ninety days of the time of delivery of the Authority's decision. This deadline may be extended by thirty days in duly justified cases.

(3)<sup>2</sup> The Authority shall, within two months from the day following the date of receipt of the recapitalization plan, determine whether the plan is able to re-establish the insurance company's solvency margin requirement.

(4)<sup>3</sup> At the time when ordering the insurance company to prepare a recapitalization plan, and if the recapitalization plan is rejected or not carried out, the Authority shall be empowered to take the measures defined in Section 291.

### Section 318

(1) If a small insurance company covered by Part Six is engaged in operations prejudicial to the interests of the policyholders, the Authority shall instruct the insurance company to prepare a three-year financial recovery plan.

(2) The insurance company shall submit its financial recovery plan to the Authority for approval within ninety days of the time of delivery of the Authority's decision. This deadline may be extended by thirty days in duly justified cases.

(3) The Authority shall, within two months from the day following the date of receipt of the financial recovery plan, determine whether the plan is able to restore the insurance company's sound financial situation.

(4) If the policyholders' rights are threatened because the financial position of the insurance company is deteriorating, the Authority - based on the financial recovery plan - shall have powers to order the insurance company to maintain a solvency margin higher than that which is required under the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies in order to ensure that the insurance company is able to fulfill the solvency requirements in the near future.

(5) The Authority shall have powers to decrease the reduction, based on reinsurance, to the solvency margin as determined in accordance with the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies if

a) the nature or quality of reinsurance contracts has changed significantly since the last financial year, or

b) there is no or an insignificant risk transfer under the insurance company's reinsurance contracts.

(6) At the time when ordering the insurance company to prepare a financial recovery plan, and if the financial recovery plan is rejected or not carried out, the Authority shall be empowered to take the measures defined in Section 291.

### Section 319

(1) The finance scheme under Section 316, the recapitalization plan under Section 317 and the financial recovery plan under Section 318 shall include the following, in addition to what is contained in Subsection (2) of Section 316 and Subsection (2) of Section 317:<sup>4</sup>

a) estimates of management expenses;

b) a plan setting out detailed estimates of income and expenditure in respect of direct insurance business, including reinsurance acceptances and reinsurance cessions;

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1 Amended by Paragraph f) of Section 214 of Act CXLV of 2017.

2 Amended by Paragraph f) of Section 214 of Act CXLV of 2017.

3 Amended by Paragraph f) of Section 214 of Act CXLV of 2017.

4 Amended by Paragraph f) of Section 214 of Act CXLV of 2017.

- c) a forecast balance sheet;
- d) estimates of the financial resources from insurance contracts intended to cover underwriting liabilities and the minimum solvency requirement;
- e) the overall reinsurance policy.

(2)<sup>1</sup> The Authority - in order to monitor the implementation of the finance scheme and recapitalization plan past the time limits referred to in Subsection (2) of Section 316 and Subsection (2) of Section 317 - may order the insurance company to supplement the finance scheme and recapitalization plan, that contains the requirements set out in Subsection (1) hereof for a period of not more than three years.

(3)<sup>2</sup> If the finance scheme, recapitalization plan and financial recovery plan the insurance company has submitted is incomplete, or they fail to satisfy the requirements set out by law, or they contain impracticable or unreasonable stipulations, the Authority shall, within fifteen working days or twenty-two working days of receiving the finance scheme and the recapitalization plan and financial recovery plan, respectively, request - on one occasion - the insurance company to provide additional information or amend the plan or scheme.

(4) In ordering additional information or amending the scheme or plan, the Authority shall notify the insurance company that in the event of non-compliance the Authority shall make a decision on the basis of the data available.

### *130. Insurance emergency*

#### *Section 320*

(1) An insurance emergency shall be construed to exist if:

a) the insurance or reinsurance company fails to meet its due and undisputed payment obligations within five working days due to lack of financial cover;

b) the technical provisions - including technical provisions of accountancy - of the insurance or reinsurance company are below the amount required or if the cover for technical provisions is insufficient;

c) the insurance or reinsurance company's

ca) eligible basic own funds covering the minimum capital requirement,

cb) own funds covering the guarantee fund  
is insufficient or falls below the required level;

d) the insurance or reinsurance company is unable to execute the plan provided for in Subsection (1) of Section 309, Subsection (1) of Section 312, Subsection (1) of Section 316 and Subsection (1) of Section 317 within the timeframe specified by the Authority;

e) any other emergency situation of substantial gravity develops at the insurance or reinsurance company that endangers the reliability of insurance services; or

f) the insurance or reinsurance company is liable to undergo involuntary de-registration as specified in Paragraph a) of Subsection (1) of Section 116 of Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings (hereinafter referred to as "CRA").

(2) In the emergency situations under Subsection (1) hereof, the Authority shall have powers to take the measures set out in Section 291 in order to avoid liquidation, to eliminate the infringement and in the interest of the policyholders.

(3) In the case of insurance companies, the court may adopt a decision to declare the insurance company wound up under Section 84 of the CRA subject to prior notification of the Authority.

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1 Amended by Paragraph f) of Section 214 of Act CXLV of 2017.

2 Amended by Paragraph f) of Section 214 of Act CXLV of 2017.

## CHAPTER XXIII

### DATA PROCESSING BY THE AUTHORITY

#### *Section 321*

(1) The Authority shall be entitled to process data to the extent required to perform the functions relating to the supervision of the financial intermediation system, including personal data processed within the meaning of this Act.

(2)<sup>1</sup> The Authority shall register the following data of insurance and reinsurance companies:

- a) name, registered office;
- b) scope of activities (authorized classes of insurance, activities involved in or closely related to insurance);
- c) exact date of establishment;
- d) amount of subscribed capital, initial capital;
- e) identification data of holders of qualifying interests;
- f) identification data of senior executives and non-management officer;
- g) date of taking up of the business of insurance;
- h) date and place of foundation of the insurance or reinsurance company's subsidiary or foreign branches;
- i) names of the persons in charge of management of the entities provided for in Paragraph h); and
- j) any changes in the particulars under Paragraphs a)-i).

(3) The Authority shall register:<sup>2</sup>

- a) the data of persons with close links to any insurance or reinsurance company that is subject to group or supplementary supervision;
- b) the data of persons with close links to any parent company of any insurance or reinsurance company that is subject to group or supplementary supervision; and
- c) the particulars of the parent company - if it is a mixed-activity insurance or reinsurance holding company or a mixed financial holding company - of an insurance or reinsurance company that is required for the supervision of that insurance company.

#### *Section 322*

(1) The Authority may only disclose - to the bodies provided for in Subsections (1)-(2) of Section 138 - insurance secrets, trade secrets and other data or information for the purpose of performing its functions relating to the supervision of the financial intermediation system, to the extent required to fulfill their responsibilities conferred by law, in accordance with the provisions of international cooperation agreements.

(2) The Authority may not disclose to third persons any data or information received from foreign supervisory authorities that is classified as an insurance or trade secret; it may only process such data and information in accordance with the cooperation agreement with the foreign supervisory authority affected, and may only disclose or impart such with the consent of the foreign supervisory authority concerned. The disclosure of the group examination report to the dominating member of the financial group during the control procedures carried out under the MNB Act in the case of group supervision shall not constitute a breach of confidentiality concerning insurance secrets and trade secrets.

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<sup>1</sup> Amended by Paragraph e) of Section 176 of Act LIII of 2016.

<sup>2</sup> Amended by Paragraph e) of Section 176 of Act LIII of 2016.

*Section 323*

(1) In order to perform its functions relating to the supervision of the financial intermediation system, the Authority shall keep records under the notifications and authorization provided for in this Act and, based on the disclosures it has ordered, on:

a) insurance, reinsurance, insurance intermediary, reinsurance intermediary branches;

b) special purpose vehicles;

c) owners of insurance and reinsurance companies;

d) auditors of insurance and reinsurance companies; and

e) applicants.

(2) In addition to identification data, such records shall inter alia include:

a) in relation to qualifying interest, the percentage of qualifying interest and the contract providing for the exercise of such qualifying interest;

b) the extent of close links referred to in Subsection (3) of Section 321, and the contract providing for the exercise of such close link;

c) the title of senior executives and their jobs, subject of the appointment, type of the legal relationship, as well as all measures taken by the Authority regarding the registered person;

d) contents of the application for the issue or withdrawal of the license as well as the data of the document attached for the purpose of assessment of the application;

e) internal rules and regulations of the insurance or reinsurance company, particularly the articles of association;

f) the annual account of the insurance or reinsurance company, independent insurance intermediary, and the resolution on the allocation of profits;

g) the minutes of the insurance or reinsurance company's general meeting, the meetings of the executive board and supervisory board;

h)<sup>1</sup> in the case of complaints, notifications of public concern or whistleblowing reports, the personal data given by the complainant, the notifier of public concern or the whistleblower, and the event underlying the complaint, notification of public concern or the whistleblowing report and the institution affected;

i) the documentation of the calculation of own funds and capital adequacy;

j) data received upon the data disclosure process;

k) the particulars of own-risk and solvency assessment; and

l) name of the consumer protection officer for handling consumer affairs.

(3) In connection with the data provided for in Subsection (2), the Authority may - for the purpose of performing its functions relating to the supervision of the financial intermediation system - process the data of the clients of insurance companies and independent insurance intermediaries that are considered insurance secrets.

(4) The Authority's authorization shall also serve as proof of registration.

**CHAPTER XXIV****SUPERVISION FEE***Section 324*

(1) Insurance and reinsurance companies shall be required to pay a supervision fee to the Authority.

(2) With the exception set out in Subsection (3), the supervision fee shall comprise the minimum charge plus the variable-rate fee.

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1 Established by Section 78 of Act XXV of 2023, effective as of 24 July 2023.

(3) As regards the small mutual associations provided for in Chapter XVIII the minimum charge shall cover the supervision fee.

### *131. Minimum charge*

#### *Section 325*

(1) The minimum charge is calculated by multiplying the unit base-rate with the index number specified in Subsection (3).

(2)<sup>1</sup> The unit base-rate is seventy-five thousand forints.

(3) The index number:

a) for limited insurance and reinsurance companies, branches of insurance and reinsurance companies established in other Member States of the European Union and for Hungarian branches of third-country insurance and reinsurance companies shall be forty;

b) for cooperative insurance and reinsurance companies shall be four;

c) for mutual associations shall be two;

d) for small mutual associations provided for in Chapter XVIII shall be one-half.

### *132. Variable-rate fee*

#### *Section 326<sup>2</sup>*

(1) The annual variable-rate fee payable by insurance companies shall be the combined total of:

a) 3.8 ‰ of the minimum solvency capital requirement, 3.8 ‰ of the minimum solvency capital requirement in the case of insurance companies provided for in Part Six, and

b) 0.35 ‰ of the book value of technical provisions of accountancy.

(2) Where an insurance company established in another Member State of the European Union is engaged in activities through its Hungarian branch, the variable-rate fee payable by such Hungarian branch shall be 0.15 ‰ of the balance sheet total shown in the annual account of the Hungarian branch of the insurance company.

## **CHAPTER XXV**

### **GROUP SUPERVISION**

### *133. Scope of group supervision*

#### *Section 327<sup>3</sup>*

The detailed regulations regarding insurance or reinsurance companies included within the scope of group supervision, and other companies included in the group supervision, and the rules governing the Authority's activities relating to group supervision shall be decreed by the Government.

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<sup>1</sup> Established by Section 128 of Act CXVIII of 2019, effective as of 18 January 2020.

<sup>2</sup> Established by Section 129 of Act CXVIII of 2019, effective as of 18 January 2020.

<sup>3</sup> Established by Section 229 of Act LXVII of 2016, effective as of 1 January 2017.



*Sections 328-330*<sup>1</sup>

*134-165*.<sup>2</sup>

*Section 331-367*<sup>3</sup>

### **BOOK THREE**

## **INSURANCE INTERMEDIARIES AND ANCILLARY INSURANCE INTERMEDIARIES**<sup>4</sup>

### 166. Scope of application of this Book

#### *Section 368*

(1)<sup>5</sup> Unless otherwise provided for in this Act, the provisions of this Book shall not apply to any person who carries on the activity of ancillary insurance mediation pertaining solely to insurance contracts if all the following conditions are met:

a) the insurance contract is complementary to the product or service supplied by any provider and it covers the following:

aa) the risk of breakdown, loss of or damage to goods supplied by that provider, or the risk of non-use of the service supplied by that provider, or

ab) damage to or loss of baggage and other risks linked to the travel booked with that provider; and

b) the amount:

ba) of the premium paid for the insurance product does not exceed six hundred euro calculated on a pro rata annual basis, or

bb) of the premium paid per person does not exceed two hundred euro, and the duration of the service provided for in Paragraph a) is equal to, or less than, three months.

(2)<sup>6</sup> The provisions of this Book shall apply mutatis mutandis to reinsurance intermediaries, accordingly, where any reference is made in this Book to insurance company it shall also apply to reinsurance companies mutatis mutandis.

(3) If the natural person who carries on the activity of insurance mediation is employed within the framework of temporary agency work by the user insurance intermediary, for the purposes of this Book it shall be construed as if the person was engaged under contract of employment with the user insurance intermediary for insurance mediation activities.

### PART EIGHT

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1 Repealed by Point 1 of Section 233 of Act LXVII of 2016, effective as of 1 January 2017.

2 Repealed by Point 2 of Section 233 of Act LXVII of 2016, effective as of 1 January 2017.

3 Repealed by Point 2 of Section 233 of Act LXVII of 2016, effective as of 1 January 2017.

4 Amended by Paragraph g) of Section 213 of Act CXLV of 2017.

5 Established by Section 174 of Act CXLV of 2017, effective as of 23 February 2018.

6 Established by Section 174 of Act CXLV of 2017, effective as of 23 February 2018.

PROVISIONS RELATING TO THE FUNCTIONING OF INSURANCE  
INTERMEDIARIES AND ANCILLARY INSURANCE INTERMEDIARIES<sup>1</sup>

## CHAPTER XXVI

COMMON PROVISIONS RELATING TO THE FUNCTIONING OF INSURANCE  
INTERMEDIARIES AND ANCILLARY INSURANCE INTERMEDIARIES<sup>2</sup>*167. Basic requirements for the pursuit of insurance and ancillary insurance  
mediation activities<sup>3</sup>**Section 369*

(1) Insurance mediation activities may be carried out by tied insurance intermediaries and independent insurance intermediaries.

(2)<sup>4</sup> On the territory of Hungary insurance mediation for insurance companies and insurance intermediaries may be carried out by insurance intermediaries who - with the exceptions set out in Sections 370-371 - are in active status in the register maintained by the Authority.

(2a)<sup>5</sup> Ancillary insurance intermediaries [including the persons provided for in Subsection (1) of Section 368] may engage in the pursuit of insurance distribution activities on behalf of insurance companies, brokers, multiple agents and ancillary insurance intermediaries only if, depending on the person, they are included in the registers provided for in Subsection (6) of Section 407, Subsection (5) of Section 412 or Subsection (6) of Section 412, as appropriate.

(3)<sup>6</sup> Insurance mediation activities, including the activities performed by any economic operator engaged in insurance mediation, or within the framework of any other body engaged in insurance mediation on behalf of said economic operator under contract, may be taken up and/or pursued by a natural person who:

a)<sup>7</sup> has a university-level degree or secondary education in the field of economics, and/or specialized education or professional qualification in economics in post-secondary vocational education or tertiary vocational training or insurance intermediary professional qualification (tied agents or independent insurance intermediaries) or professional qualifications, or an official certificate issued according to the Decree on the Requirements Relating to Training Intermediaries of Financial Services, Insurance Intermediaries and Capital Market Sales Representatives, and on Official Examination;

b) complies with the requirement of continuing professional training under Section 376; and

c) is of sufficiently good repute.

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1 Amended by Paragraph g) of Section 213 of Act CXLV of 2017.

2 Amended by Paragraph g) of Section 213 of Act CXLV of 2017.

3 Amended by Paragraph h) of Section 213 of Act CXLV of 2017.

4 Amended by Paragraph i) of Section 213 of Act CXLV of 2017.

5 Enacted by Subsection (1) of Section 175 of Act CXLV of 2017, effective as of 23 February 2018.

6 Established by Subsection (2) of Section 175 of Act CXLV of 2017, effective as of 23 February 2018.

7 Established by Section 145 of Act XXXIX of 2023, effective as of 24 June 2023.

(4) An insurance company, multiple agent and broker is required to ascertain whether the natural persons they employ or commission to mediate insurance or, if they commission an economic operator to mediate insurance the natural persons who pursues the mediation of insurance at such economic operator are registered and in active status in the Authority's register.

(5) The obligation prescribed in Subsection (4) shall not apply to the insurance company in regard to any natural person employed or commissioned to mediate insurance by the insurance company's multiple agent, or if the multiple agent hired an economic operator to mediate insurance, in regard to the natural persons employed by such economic operator.

(6) As regards the official examination provided for in Paragraph *a*) of Subsection (3),<sup>1</sup>

*a*) the natural person pursuing agency activities shall have a tied insurance intermediary or independent insurance intermediary official certificate,

*b*) the natural person pursuing broker's and multiple agent's activities shall have an independent insurance intermediary official certificate, in order to pursue insurance mediation activities.

(6a)<sup>2</sup> If the examinee passed the examination by misleading the Authority, by supplying false data, in the absence of statutory requirements or by breaching of the examination rules, the Authority shall void the exam of such person. If the Authority has already issued the certificate of examination, it shall take measures to have it revoked.

(7)<sup>3</sup> A natural person who is holding an official certificate provided for in the Decree on the Requirements Relating to Training Intermediaries of Financial Services, Insurance Intermediaries and Capital Market Sales Representatives, and on Official Examination and who is therefore entitled to pursue the activities of insurance intermediaries, however, five years have already lapsed since the time of being deleted from the Authority's register, or since having passed the official examination in the absence of registration, may seek readmission to the register upon completion of the official examination again.

(8)<sup>4</sup> Managers responsible for distribution operations of economic operators engaged in insurance mediation and the persons in charge of distribution operations of economic operators engaged in ancillary insurance mediation must also satisfy the condition under Paragraph *c*) of Subsection (3).

(9)<sup>5</sup> The provisions set out in Subsection (2) of Section 75/A for verifying compliance with the requirement of good repute shall also be applied by brokers and multiple agent *mutatis mutandis* with respect to persons in their employ, to whom the requirement of good repute under Section 69/A applies.

### Section 370<sup>6</sup>

(1) Registration by the Authority is not required for taking up the pursuit of insurance mediation activities where the mediation of insurance is performed by a natural person employed by a credit institution specified in the CIFE, or by a universal postal service provider provided for in the Act on Postal Services or any contributor delegated by the universal postal service provider, in accordance with the employer's instructions, in the customer area of the employer's premises or by way of a mobile postal service establishment.

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1 Amended by Paragraph *j*) of Section 213 of Act CXLV of 2017.

2 Enacted by Section 204 of Act LXIX of 2017, effective as of 1 July 2017.

3 Amended by Point 28 of Subsection (1) of Section 175 of Act LIII of 2016.

4 Established by Section 166 of Act CXXVI of 2018, effective as of 29 December 2018.

5 Enacted by Subsection (3) of Section 175 of Act CXLV of 2017, effective as of 23 February 2018.

6 Established by Section 176 of Act CXLV of 2017, effective as of 23 February 2018.

(2) The person referred to in Subsection (1) hereof shall not be required to comply with Paragraph *a*) of Subsection (3) of Section 369 if that person has the necessary qualifications for pursuing the activities of financial services intermediaries or money market sales representatives, or a certificate issued upon completion of an official training program for tied insurance intermediaries under the Decree on the Requirements Relating to Training Intermediaries of Financial Services, Insurance Intermediaries and Capital Market Sales Representatives, and on Official Examination, built on exam No. 1 and arranged by the insurance company of the product distributed.

(3) Where a natural person meets the requirements set out in Subsections (1) and (2), the employer shall enter such person into his internal register, indicating the requirements enumerated in Subsection (2) that the given person possesses.

(4) The employer shall make available the register provided for in Subsection (3), and the related documents, to the insurance company provided for in Subsection (2), and that insurance company shall present it to the Authority in the course of supervisory control proceedings.

### *Section 371*

(1) Insurance intermediaries residing or established in another Member State shall be allowed to pursue activities on the territory of Hungary in the form of cross-border services or through a Hungarian branch if they are duly registered in their home Member State.

(2) Registration by the Authority is not required for insurance intermediaries registered in other Member States for the taking up and pursuit of insurance intermediation activities.

### *Section 372*

(1) Insurance intermediary companies established in a third country shall be allowed to pursue activities on the territory of Hungary only through a Hungarian branch.

(2) As regards the branches of insurance intermediary companies established in a third country the provisions of the FCA on branches shall apply subject to the exceptions set out in this Act.

(3) The general representative of the branch of a third-country insurance company shall be a natural person who meets the requirements set out below:

- a*) has no prior criminal record;
- b*) complies with fit and proper requirements;
- c*) has at least five years experience in the field of insurance or as an insurance executive in the government sector in the field of finance and economics; and
- d*) has a university-level degree.

### *Section 373*

(1)<sup>1</sup> Any person employed by an insurance intermediary under legal relationship for performing insurance mediation activities may not enter into any other legal relationship with another insurance company or insurance intermediary for the pursuit of insurance mediation activities.

(2) Any person employed by an insurance intermediary - under contract of employment, personal service contract or other work-related relationship - for performing insurance mediation activities may not enter into any other employment, agency or other legal relationship - other than by contract of employment - with another insurance company or insurance intermediary for the pursuit of insurance mediation activities.

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<sup>1</sup> Established by Section 177 of Act CXLV of 2017, effective as of 23 February 2018.

*Section 373/A<sup>1</sup>*

(1) Ancillary insurance intermediaries may only be employed by insurance companies, brokers or multiple agents.

(2) Ancillary insurance intermediaries may carry out insurance distribution activities on behalf of one employer only at any given time.

(3) The employer of an ancillary insurance intermediary shall be held responsible to ensure that the intermediary complies in carrying out insurance distribution activities with the rules on the provision of information relating to product features, and where several different products are available, to conduct needs assessment covering the full spectrum of such available products.

(4) An ancillary insurance intermediary may not enter into any other employment, agency or other legal relationship - which are not considered an employment relationship - with others for the pursuit of ancillary insurance mediation activities.

*Section 374*

(1) Natural persons shown in the Authority's register of insurance intermediaries shall be allowed to take up the pursuit of insurance mediation activities in possession of a picture identification document issued by the insurance company, multiple agent or independent insurance intermediary.

(2) The picture identification document shall contain the natural person's:

- a) name,
- b) address, and
- c) the registration number issued by the Authority.

(3) If a natural person shown in the register is pursuing insurance mediation activities on behalf of an economic operator under contract of employment, personal service contract or other work-related relationship, the document shall - in addition to what is contained in Subsection (1) also indicate the economic operator's:

- a) name,
- b) registered office, and
- c) registered number (register number).

(4) If the Authority decided to change the status of a natural person shown in the register of insurance intermediaries from active to inactive, the intermediary shall return the picture identification document to the issuer.

*Section 375<sup>2</sup>*

(1) The provisions of Section 131 shall also apply to the marketing of products by the insurance intermediary.

(2)<sup>3</sup> As regards independent insurance intermediaries and multiple agents the provisions laid down in Section 108/A shall apply *mutatis mutandis*, on the understanding that any reference made to insurance company shall be construed as independent insurance intermediary and multiple agent. If an independent insurance intermediary or multiple agent does not have a website, the obligation of publication may be satisfied also by way of notice posted at the main office.

*Section 375/A<sup>4</sup>*

The provisions set out in Section 131/A shall apply to insurance intermediaries *mutatis mutandis*, as developers of insurance products.

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1 Enacted by Section 167 of Act CXXVI of 2018, effective as of 1 January 2019.

2 Established by Section 290 of Act LXXXV of 2015, effective as of 2 January 2016.

3 Amended by Paragraph a) of Section 206 of Act LXIX of 2017.

4 Enacted by Section 178 of Act CXLV of 2017, effective as of 23 February 2018.

*167/A.<sup>1</sup> Provisions relating to the remuneration of insurance intermediaries and ancillary insurance intermediaries*

*Section 375/B<sup>2</sup>*

(1) Tied insurance intermediaries shall be entitled to commission in accordance with this Act.

(2) Independent insurance intermediaries shall be remunerated directly by the employer for intermediary services on the basis of the relevant agreement, in particular when the assignment covers consultancy exclusively, or the mediation of insurance contracts whose premium does not cover remuneration payable by the insurance company directly, or covers only a part of such remuneration.

(3) If the independent insurance intermediary has an agreement with the principal - in accordance with the information he has provided - not to be remunerated directly as provided for in Subsection (2), or being remunerated in part only, he may receive indirect remuneration - comprising a specific percentage of the insurance premium - from the insurance company that underwrites the insurance risk covered by the contract he has mediated.

(4) The independent insurance intermediary shall have in place regulations comprising policies to ensure that the way in which he is remunerated will not lead to conflicts of interest and that it shall not jeopardize the obligations referred to in Subsections (5) and (6) of Section 398.

(5) Ancillary insurance intermediaries (including the person referred to in Subsection (1) of Section 368) shall be entitled to remuneration payable by the employer.

*168.3 Continuing professional training and advanced training in relation to activities of insurance intermediaries and ancillary insurance intermediaries corresponding to the products distributed*

*Section 376<sup>4</sup>*

(1) Natural persons engaged in the pursuit of insurance mediation activities, and the managers of insurance intermediaries responsible for distribution operations shall possess appropriate professional knowledge and ability corresponding to the role they perform and the products they distribute. Moreover, they shall be required to update that knowledge and to improve their expertise to reflect the latest developments.

(2) In order to meet the requirement set out in Subsection (1), the persons therein referred to shall attend at least fifteen hours of professional training or development per year, taking into account the nature of the products sold (in the case of managers responsible for distribution operations the products distributed by the insurance intermediary), or planned to be sold in the future, based on the knowledge and competence requirements laid down in Annex 7.

(3) Persons who became insurance intermediaries or managers under Subsection (1) during the second half of the year, and they are yet to fulfill the requirement set out in Subsection (2) in that year, shall attend at least seven and half hours of professional training or development that year in total.

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1 Enacted by Section 179 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Section 179 of Act CXLV of 2017, effective as of 23 February 2018.

3 Established by Section 180 of Act CXLV of 2017, effective as of 23 February 2018.

4 Established by Section 180 of Act CXLV of 2017, effective as of 23 February 2018.

(4)<sup>1</sup> Continuing training and development should be ensured and could encompass various - at least two - types of facilitated learning opportunities including advanced training courses requiring physical presence, e-learning and mentoring, or participating in full-day professional conferences, with the proviso that participation in a full-day of professional conference shall be considered equal to five hours of regular and/or advanced training.

(5) The employer insurance company, multiple agent or independent insurance intermediary shall arrange for the continuing training and development of the persons referred to in Subsection (1) - subject to the obligation of continuing professional training and development - so as to ensure that they receive professional training before such persons begin to offer new or revised insurance products.

(6) If any change took place:

a) in the predetermined terms and settlement conditions of the insurance products distributed by the natural person pursuing tied insurance mediation activities;

b) in the range of products distributed by the natural person pursuing tied insurance mediation activities;

following completion of the professional training or development under Subsection (2) the insurance company, multiple agent or independent insurance intermediary employing the natural person insurance intermediary is required to ascertain that the intermediary has the necessary knowledge and shall enter this into the register provided for in Subsection (9).

(7) If the natural person engaged in the pursuit of independent insurance mediation activities did not previously participate in continuing professional training or development provided for in Subsection (2) relating to the insurance products he is contracted to mediate, the employer or commissioning independent insurance intermediary shall, in relation to performing the analysis of a sufficient number of insurance products competing on the market, ascertain beforehand that the intermediary has sufficient knowledge of the products with a view to performing the analysis, and shall enter this into the register provided for in Subsection (9).

(8) The continuing professional training referred to in Subsection (2) may be provided by the insurance company, multiple agent or independent insurance intermediary that employs the natural person insurance intermediary under contract of employment or otherwise, or they may hire a specialized vocational institution that offers training courses for the professional qualifications referred to in Annex 9, or an organization that offers official training programs culminating in an examination for obtaining the official certificate provided for in the Decree on the Requirements Relating to Training Intermediaries of Financial Services, Insurance Intermediaries and Capital Market Sales Representatives, and on Official Examination.

(9) The insurance company, multiple agent or independent insurance intermediary that employs the person referred to in Subsection (1) under contract of employment or otherwise shall keep records of attendance in the continuing professional training referred to in Subsection (2), and shall verify - by means of registration documents - such participation to the Authority in supervisory control proceedings.

(10) Continuing professional training under this Section may be provided to the natural persons referred to in Subsection (1) of Section 370 by their employers as well, based on the material supplied by the insurance company of the product distributed, under collective professional liability of the employer and the commissioning insurance company.

(11) In the application of Subsection (10), the register provided for in Subsection (9) shall be maintained by the employer, on the understanding that the register and the related documents shall be made available to the insurance company provided for in Subsection (10), and that insurance company shall present it to the Authority in supervisory control proceedings.

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1 Amended by Point 5 of Section 181 of Act CXXVI of 2018.

(12)<sup>1</sup> Natural persons engaged in the activities of ancillary insurance intermediaries, and officers of economic operators engaged in ancillary insurance mediation responsible for distribution operations - to be appointed separately for each sales location - shall possess appropriate knowledge and ability corresponding to the role they perform and to the insurance products they distribute, and to improve their expertise to reflect the latest developments.

(13)<sup>2</sup> In order to meet the requirement set out in Subsection (12), the persons therein referred to shall attend professional training or development taking into account the nature of the products sold (in the case of persons in charge of distribution operations the products distributed by the ancillary insurance intermediary), or planned to be sold in the future, based on the knowledge and competence requirements laid down in Annex 7.

(14) Subsections (5), (8) and (9) shall also apply *mutatis mutandis* to the continuing professional training of the persons referred to in Subsection (12), with the proviso that professional training or development may be provided by the employer or principal of the persons affected as well, based on the material supplied by the employer insurance company, multiple agent or independent insurance intermediary, under the collective professional liability of the employer insurance company, multiple agent or independent insurance intermediary and the employer or principal of the person affected.

(15) Where professional training or development under Subsection (14) is provided by the employer or principal, the register provided for in Subsection (9) shall be maintained by the employer or principal of the person affected, on the understanding that the register and the related documents shall be made available to the employer insurance company, multiple agent or independent insurance intermediary, and that insurance company, multiple agent or independent insurance intermediary shall present it to the Authority in supervisory control proceedings.

*169. Rules on the payment of commission in connection with life insurance policies with savings element<sup>3</sup>*

*Section 377*

(1) The amount of commission paid in connection with a life insurance policy with savings element may not exceed the amount of the premium the insurance company has received by the time of payment of the commission.

(2)<sup>4</sup> By way of derogation from Subsection (1), as regards stipulated-premium life insurance policies with savings element, commission may be paid on the first year calculated from the date of the contract - at the earliest after the first premium payment is received by the insurance company as stipulated - in an amount not exceeding the premium due for twelve months.

(2a)<sup>5</sup> The amount of commission paid in total for the full term of the contract may not exceed the amount of the premium the insurance company has received for the full term of the contract.

(3) The agreement concluded in writing between the insurance company and the insurance intermediary shall *inter alia* contain the following:

a) the due date for the payment of commission, which - as regards the first commission payment - shall not take place before the first premium payment for the contract is received by the insurance company;

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1 Amended by Point 11 of Section 181 of Act CXXVI of 2018.

2 Amended by Point 12 of Section 181 of Act CXXVI of 2018.

3 Amended by Point 13 of Section 181 of Act CXXVI of 2018.

4 Enters into force as under Subsection (1) of Section 52 of Act CLXII of 2015. Amended by Subsections (2)-(3) of Section 175 of Act LIII of 2016.

5 Enters into force as under Subsection (2) of Section 52 of Act CLXII of 2015.



b) the rate of the commission;  
c) conditions for the payment of commission;  
d) the timing for the payment of commission;  
e) the conditions under which the obligation of commission repayment applies, and the conditions for any exemption from such obligation;  
f) the date of termination of the obligation of commission repayment;  
g) entitlement to commission, and the conditions under which such entitlement may be abolished.

(4) Under predetermined uniform conditions the insurance company shall be entitled to differentiate the rate of commission among the intermediaries adjusted as commensurate for the activities of insurance intermediaries and for their performance of such activities.

(5) Commissions may not be paid to insurance intermediaries in advance.

(6) Apart from the commission for brokering insurance contracts, insurance intermediaries shall not be entitled to any other form of payment from the insurance company. In addition to the commission, insurance companies shall be allowed to reward insurance intermediaries for services provided outside the scope of insurance intermediary services, properly documented in a manner that is transparent and verifiable, with the underlying reason clearly indicated.

(7)<sup>1</sup> The provisions of Subsections (1)-(6) shall apply to the independent insurance intermediaries *mutatis mutandis*, with the proviso that in their case commission shall be construed as remuneration comprising a specific percentage of the insurance premium payable by the insurance company.

#### *169/A.2 Rules on the general remuneration policies of insurance contracts<sup>3</sup>*

##### *Section 377/A<sup>4</sup>*

The provisions of Subsections (3)-(6) of Section 377 shall apply to all insurance contracts brokered by independent insurance intermediaries, with the proviso that in the case of independent insurance intermediaries commission shall be construed as remuneration comprising a specific percentage of the insurance premium payable by the insurance company.

#### *170. Obligation of insurance intermediaries and ancillary insurance intermediaries to provide information<sup>5</sup>*

##### *Section 378<sup>6</sup>*

(1) Unless otherwise provided for by law, before an insurance contract is concluded, the insurance intermediary shall provide easily intelligible, clearly written, not misleading, fair and detailed information free of charge that is verifiable and documented, written in the official language of the Member State of the commitment, on:

a) that it is pursuing the activity of an insurance intermediary, and the name of the insurance intermediary if a natural person, or the corporate name and registered office if an economic operator on whose behalf the insurance intermediary is acting, and the designation of the competent supervisory authority;

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1 Enacted by Section 181 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Section 182 of Act CXLV of 2017, effective as of 1 July 2018.

3 Amended by Point 14 of Section 181 of Act CXXVI of 2018.

4 Enacted by Section 182 of Act CXLV of 2017, effective as of 1 July 2018.

5 Amended by Paragraph k) of Section 213 of Act CXLV of 2017.

6 Established by Section 183 of Act CXLV of 2017, effective as of 23 February 2018.

b) the register of intermediaries in which listed, including an indication as to how the register can be accessed;

c) any qualifying interest the insurance intermediary may have in the insurance company in question;

d) any qualifying interest the insurance company in question or the parent company of this insurance company may have in the insurance intermediary;

e) in the case of insurance agents on the information referred to in Subsection (1) of Section 159, and in the case of multiple agents and brokers on the information referred to in Subsection (1) of Section 382, and facilities for lodging complaints concerning its activity with the Authority or with the arbitration bodies, as appropriate according to the nature of the complaint (showing the registered address, phone number and internet address, and the mailing address), and information about the judicial process;

f) the person to be held liable for any damage caused or restitution incurred in his capacity as an insurance intermediary;

g) whether the insurance intermediary is acting as an independent or a tied insurance intermediary;

h) if a tied insurance intermediary, the name of the insurance companies on whose behalf he is acting or authorized to act;

i) description of the insurance products which he is entitled to offer;

j) whether it provides advice about the insurance products sold;

k) an indication of entitlement to receive payment of premium or premium advance from the client;

l) if an independent insurance intermediary, an indication if entitled to collect any sum of money from the insurance company on the client's behalf, and if so, any limit as to the amount;

m) if a tied insurance intermediary, an indication if not allowed to collect any sum of money from the insurance company on the client's behalf in advance;

n) if a tied insurance intermediary, the type of representation right he has under the agreement concluded with the insurance company, in particular as regards the right to conclude the insurance contract on behalf of the insurance company;

o) if an independent insurance intermediary, in relation to the insurance products proposed or advised upon, whether it gives advice on the basis of a fair and personal analysis;

p) if an independent insurance intermediary, if it does not give advice on the basis of a fair and personal analysis, the names of the insurance companies whose products it distributes;

q) the nature of the remuneration received in relation to the insurance contract as to whether it works

qa) on the basis of a fee, i.e. the remuneration is paid directly by the client, in which case the insurance intermediary shall inform the client of the amount of the fee or, where that is not possible, of the method for calculating the fee,

qb) on the basis of a commission of any kind received from the insurance company, that the remuneration is included in the insurance premium,

qc) on the basis of any other type of remuneration, including an economic benefit of any kind offered or given in connection with the insurance contract, or

qd) on the basis of a combination of any type of remuneration set out at Subparagraphs qa)-qc).

(2)<sup>1</sup> In addition to what is contained in Subsection (1) hereof, insurance intermediaries are also required to comply with the obligations specified in Paragraphs a)-d) of Subsection (1) and Subsection (2) of Section 152, Subsections (1)-(2a) and (5) of Section 153, and Section 155.

(3) Insurance intermediaries shall supply information, by way of the means specified in Subsection (1), to policyholders:

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1 Established by Subsection (1) of Section 168 of Act CXXVI of 2018, effective as of 29 December 2018.

a) with respect to any changes in the data provided for in Paragraph a) of Subsection (1), within fifteen days from the effective date of such changes;

b) with respect to any changes in the data provided for in Paragraphs b)-p) of Subsection (1), at the time of amendment or renewal of the contract.

(4) If any payments, other than the ongoing premiums and scheduled payments, are made by the customer under the insurance contract after its conclusion, the insurance intermediary shall also make the disclosures in accordance with Paragraphs c), d), g), h), o), p) and q) of Subsection (1) for each such payment.

(5) Ancillary insurance intermediaries shall - in accordance with Subsection (1) - communicate the following information to clients:

a) that it pursues the activity of insurance distribution in addition to its principle activity on an ancillary basis, including the name of the ancillary insurance intermediary if a natural person, or the corporate name and registered office if an economic operator on whose behalf the insurance intermediary is pursuing insurance mediation activities on an ancillary basis, and the designation of the competent supervisory authority of the economic operator;

b) the register of intermediaries, in which the economic operator is listed, including an indication as to how the register can be accessed;

c) if acting on behalf of an insurance company, broker or multiple agent, the information relating to Subsection (1) of Section 159 or Subsection (1) of Section 382 (including the name and address of the given insurance company, broker or multiple agent), as well as facilities for lodging complaints concerning its activity with the Authority or with the arbitration bodies, as appropriate according to the nature of the complaint (showing the registered address, phone number and internet address, and the mailing address), and information about the judicial process;

d) the nature of the remuneration received in relation to the insurance contract;

e)<sup>1</sup> the entity on whose behalf and under whose responsibility it is acting;

f)<sup>2</sup> the choice of products available, and that further products are also available through other insurance distribution channels;

g)<sup>3</sup> whether it provides advice - within the limits available - about the insurance products sold.

(5a)<sup>4</sup> The information under Paragraphs e)-g) of Subsection (5) may be disclosed by means other than writing, if the ancillary insurance intermediary documents the disclosure of such information with the client's explicit statement of consent attached.

(6) The provisions of Section 130/A, Subsections (3)-(3c) and (7) of Section 152, and Sections 158-158/C shall apply to insurance intermediaries and ancillary insurance intermediaries *mutatis mutandis*.

(7) The provisions of Sections 166/A-166/F shall apply to insurance intermediaries *mutatis mutandis*.

(8) Insurance intermediaries and ancillary insurance intermediaries shall not be subject to the obligation provided for in this Section if the contract is an insurance contract which consists of the insurance of large risks.

#### Section 378/A<sup>5</sup>

The person referred to in Subsection (1) of Section 368 shall - acting under the responsibility of his employer broker or multiple agent - provide information on what is contained in Section 152/A, by way of the means therein provided for, to the clients, with reference to the employer insurance intermediary.

1 Enacted by Subsection (2) of Section 168 of Act CXXVI of 2018, effective as of 1 January 2019.

2 Enacted by Subsection (2) of Section 168 of Act CXXVI of 2018, effective as of 1 January 2019.

3 Enacted by Subsection (2) of Section 168 of Act CXXVI of 2018, effective as of 1 January 2019.

4 Enacted by Subsection (3) of Section 168 of Act CXXVI of 2018, effective as of 1 January 2019.

5 Enacted by Section 184 of Act CXLV of 2017, effective as of 23 February 2018.

*171. Obligation of professional secrecy of insurance intermediaries and ancillary insurance intermediaries<sup>1</sup>*

*Section 379*

(1) Insurance intermediaries shall be allowed to process the insurance secrets of clients only to the extent that they relate to the relevant insurance contract, with its creation and registration, and to the service. Processing of such data shall take place only to the extent necessary for the conclusion, amendment and continuance of the insurance contract and for the evaluation of claims arising from the contract, or for any other purpose specified in this Act.

(2) Insurance intermediaries shall obtain the data subject's prior consent for processing data for purposes other than what is contained in Subsection (1). The client shall not suffer any disadvantage if the consent is not granted, nor shall any advantage shall be given if it is granted.

(3) Unless otherwise provided for by law, the owners, directors and employees of insurance intermediaries, and all other persons having access to insurance secrets in any way or form during their activities in matters related to the insurance intermediaries shall be subject to the obligation of professional secrecy without any time limitation.

*Section 380*

Insurance intermediaries, and their owners, any proposed acquirer of a share in an insurance intermediary company, as well as the senior executives, agents and other persons employed by an insurance intermediary - in an employment, agency or other work-related legal relationship shall keep any trade secrets made known to them in connection with the operation of the insurance company or the insurance intermediary confidential without any time limitation.



*Section 381<sup>2</sup>*

The provisions of Sections 137-143 [not including Paragraph d) of Section 137] and Sections 145-147 shall also apply to insurance intermediaries, on the understanding that any reference made in a given provision to insurance company shall be construed as insurance intermediary.

*Section 381/A<sup>3</sup>*

The provisions of Sections 379-381 shall apply to ancillary insurance intermediaries *mutatis mutandis*.

*172. Complaints handling by insurance intermediaries and ancillary insurance intermediaries<sup>4</sup>*

*Section 382<sup>5</sup>*

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1 Amended by Paragraph l) of Section 213 of Act CXLV of 2017.  
2 Amended by Paragraph a) of Section 70 of Act LXXVI of 2023.  
3 Enacted by Section 185 of Act CXLV of 2017, effective as of 23 February 2018.  
4 Amended by Paragraph k) of Section 213 of Act CXLV of 2017.  
5 Established by Section 230 of Act LXVII of 2016, effective as of 1 January 2017.

➡(1)<sup>1</sup> Multiple agents and brokers shall provide facilities for their clients and consumer associations (for the purposes of this Section hereinafter referred to collectively as “client”) to lodge a complaint they may have relating to the multiple agent, broker or their ancillary insurance intermediary’ conduct, activity or any alleged infringement orally (in person, by telephone) or in writing (by means of a document delivered in person or by others, by post or by electronic mail).

(2) As regards other aspects of the complaint handling procedures of multiple agents and brokers the provisions of Subsections (2)-(5) of Section 159 shall apply on the understanding that any reference made in a given provision to insurance company it shall be construed as multiple agent or broker.

(3) The first sentence of Subsection (2) of Section 159 and the requirements set out in the government decree on detailed regulations regarding the complaints handling procedures of insurance companies, multiple agents and brokers, and their complaints handling policy on providing facilities for making appointments for personal interview and to receiving calls and dealing with complaints within a reasonable period of time shall apply with the derogation that multiple agents and brokers may satisfy the requirement to investigate the complaint immediately by recording the call of the client, upon which the multiple agent and the broker shall return the call at the latest on the next working day by means of recorded message for effectively handling the complaint on the merits. The returned call shall be archived for one year.

(4) If the multiple agent or broker outsourced any part of the complaints handling process, it shall ensure compliance with the rules of confidentiality provided for in Subsection (3) of Section 379.

(5) If the multiple agent or broker is regarded as a micro enterprise according to Subsection (3) of Section 3 of Act XXXIV of 2004 on Small and Medium-sized Enterprises and the Support Provided to Such Enterprises, it shall not be required to employ a consumer protection officer for handling consumer affairs.

(6) The detailed regulations regarding the complaints handling procedures of multiple agents and brokers, and their complaints handling policy shall be decreed by the Government.

## CHAPTER XXVII

### SPECIAL PROVISIONS RELATING TO THE FUNCTIONING OF TIED INSURANCE INTERMEDIARIES

#### *173. Insurance Agents*

##### *Section 383*

(1) Insurance agents are engaged in activities preparatory to the conclusion of contracts of insurance, including:

a) where so authorized by the insurance company, concluding the contract on the insurance company’s behalf and accepting payments of premium, and

b) participating in exercising the insurance company’s rights and performance of its obligations arising out of the contract, and in the conclusion of the contract.

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<sup>1</sup> Established by Section 186 of Act CXLV of 2017. Amended by Paragraph b) of Section 65 of Act CIX of 2023.

(1a)<sup>1</sup> Where a credit institution covered by the CIFE is pursuing insurance mediation activities as agent, such activity may cover work preparatory to the conclusion of contracts of insurance for competing products, or of assisting in the administration and performance of such contracts, in particular in the event of a claim (hereinafter referred to as “portfolio maintenance”), if no work preparatory to the conclusion of new contracts of insurance for competing products affected by portfolio maintenance is performed, as stipulated in the agreement with the given insurance company.

(1b)<sup>2</sup> The agent referred to in Subsection (1a) may not perform work - for a commission or on a commercial scale - preparatory to the conclusion of new insurance contracts for unit-linked life insurance for the policyholders and beneficiaries of contracts terminated within one year following the termination of contracts for unit-linked life insurance affected by portfolio maintenance (including unit-linked pension products) prior to the expiration of an insurance policy.

(2) Insurance agents are engaged in mediating insurance products as paid employees of insurance companies or in a self-employed capacity.

### *Section 384<sup>3</sup>*

(1) If the contracting party has made a premium payment to the insurer’s agent authorized to collect premium payments, the premium shall be considered received by the insurance company - on account or in cash - on or before the fourth day following the date of payment; however, the contracting party shall be entitled to prove that the premium had been received earlier.

(2) The agent is not allowed to collect any sum of money from the insurance company on the client’s behalf, in advance.

### *Section 385*

(1) Insurance agents shall act at all times in observation of the rules of professional conduct.

(2) Any damage caused by an insurance agent or any other person in the employ of the insurance agent for mediating insurance under contract of employment, personal service contract or other work-related relationship while engaged in mediating insurance, and any restitution incurred shall be the liability of the insurance company.

(3) If the insurance agent is involved with more than one insurance company, liability for damages caused by the insurance agent while engaged in mediating insurance, and for the payment of restitution incurred shall fall upon the insurance company on whose behalf the mediation took place.

### *Section 386*

An agent pursuing insurance mediation activities on behalf of an insurance company shall be entitled to indemnification provided for in Section 6:298 of the Civil Code only under an agreement concluded with the insurance company for such activity in writing, and under the conditions set out therein.

### *Section 386/A<sup>4</sup>*

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1 Enacted by Section 44 of Act XX of 2022, effective as of 6 August 2022.

2 Enacted by Section 44 of Act XX of 2022, effective as of 6 August 2022.

3 Established by Section 187 of Act CXLV of 2017, effective as of 23 February 2018.

4 Enacted by Section 188 of Act CXLV of 2017, effective as of 23 February 2018.

The provisions of Subsection (1) of Section 383, Section 384 and Section 385 shall apply to ancillary insurance intermediaries *mutatis mutandis*, with the proviso that, in the case of Section 385 - if the employer is an insurance intermediary - insurance company shall be construed as the employer insurance intermediary.

### *174. Multiple agents*

#### *Section 387*

(1) Multiple agents are engaged in activities preparatory to the conclusion of contracts of insurance, including:

a) where so authorized by the insurance company, concluding the contract on the insurance company's behalf and accepting payments of premium, and

b) participating in the performance of the insurance company's contractual rights and obligations and in the administration of the contract.

(2)<sup>1</sup> Multiple agents may not engage in independent insurance mediation activities.

(3)<sup>2</sup> In the case of non-advised sales, in carrying out work preparatory to the conclusion of insurance contracts, the multiple agent shall - in addition to and in accordance with the requirements set out in this Act on non-advised sales - perform an analysis for the purpose of comparison in the product group giving appropriate consideration to the needs of the client, so as to allow the client to find the best products to meet his needs.

(4)<sup>3</sup> In the case of advised sales, in carrying out work preparatory to the conclusion of insurance contracts, the multiple agent shall - in addition to and in accordance with the requirements set out in this Act on non-advised sales - perform an analysis for the purpose of comparison in the product group giving appropriate consideration to the needs of the client, and shall provide the client with a personalized recommendation relating to a particular insurance product or products on the basis of and depending on certain analytical requirements consistent with the client's demands and needs ascertained relying on information given by the client, explaining why that product would best meet the client's demands and needs.

(5)<sup>4</sup> The information referred to in Subsections (3) and (4) shall indicate whether the analysis covers the full spectrum of competing products distributed by the multiple agent or a sufficient number of such products, and the analysis is to be given to the client by means which can be proved.

#### *Section 387/A<sup>5</sup>*

(1) If the contracting party has made a premium payment to a multiple agent authorized to collect premium payments, the premium shall be considered to be received by the insurance company - on account or in cash - on or before the fourth day following the date of payment; however, the contracting party shall be entitled to prove that the premium had been received earlier.

(2) The agent is not allowed to collect any sum of money from the insurance company on the client's behalf in advance.

#### *Section 388*

(1) Multiple agents may take up insurance mediation activities if authorized by the Authority, in the form of:

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1 Established by Section 189 of Act CXLV of 2017, effective as of 23 February 2018.

2 Established by Section 189 of Act CXLV of 2017, effective as of 23 February 2018.

3 Enacted by Section 189 of Act CXLV of 2017, effective as of 23 February 2018.

4 Enacted by Section 189 of Act CXLV of 2017, effective as of 23 February 2018.

5 Established by Section 190 of Act CXLV of 2017, effective as of 23 February 2018.

a) limited company;  
b) private limited-liability company with at least five million forints in equity capital;  
c) Hungarian branch of a third-country insurance intermediary company with at least five million forints in capital.

(2) After granting the authorization referred to in Subsection (1), the Authority shall register the multiple agent in active status.

(3) The Authority's authorization is not required for the branch of a multiple agent established in another Member State if pursuing activities through a branch or in the form of cross-border services.

### Section 389

(1) As appropriate for the insurance mediation activities intended to be pursued, multiple agents:

a) shall have ownership title or the right to use or lease of premises suitable for receiving clients;

b) shall have continuous systems of files and records permitting individual identification of the activities performed;

c) shall have in place the means required for compliance with the obligation of disclosure to the Authority;

d)<sup>1</sup> shall meet the personnel conditions prescribed for insurance mediation activities.

(2) Multiple agents shall employ a natural person delegated for the management of insurance mediation activities under contract of employment.

(2a)<sup>2</sup> The person referred to in Subsection (2) may be employed by a multiple agent in the position of manager responsible for distribution operations.

(3) The natural person responsible for the management of insurance mediation activities as provided for in Subsection (2) shall be a person who:

a) has no prior criminal record;

b) meets either of the professional requirements below:

ba)<sup>3</sup> has a university-level degree and at least three years of experience as an insurance executive at an insurance company, an economic operator engaged in the pursuit of insurance mediation activities, in financial or economic management in the public sector, or at relevant trade group, or have a total of at least five years of experience in the field of insurance in the employment of an insurance company, an economic operator engaged in the pursuit of insurance mediation activities, or in financial or economic management in the public sector, or at relevant trade group, whether under contract of employment, public service, government service, State service relationship or any other form of gainful employment, or

bb) graduated from a secondary education institution and have at least seven years of experience as an insurance executive at an insurance company or an economic operator engaged in insurance mediation activities;

c) is engaged in mediating exclusively at the given insurance intermediary;

d) is not employed by any insurance company under contract of employment or any other work-related contractual relationship;

e) complies with fit and proper requirements.

(4) The end of the period of professional experience specified in Paragraph b) of Subsection (3) shall be within ten years of the date of submission of the application for authorization.

1 Enacted by Section 167 of Act LIII of 2016, effective as of 1 July 2016.

2 Enacted by Section 169 of Act CXXVI of 2018, effective as of 29 December 2018.

3 Established by Section 114 of Act LXIV of 2016, effective as of 1 July 2016.



(5) The natural person responsible for the management of insurance mediation activities as provided for in Subsection (2) shall at all times act with due diligence and expertise consistent with the professional requirements applicable for his positions, also in view of the interests of the clients, in compliance with the relevant regulations.

### *Section 390*

If the own funds of a multiple agent fall below the mandatory minimum referred to in Subsection (1) of Section 388, or as prescribed in the Civil Code for limited companies, the multiple agent must provide additional funds to comply with the mandatory minimum capital requirement.

### *Section 391*

(1) Multiple agents shall act at all times in observation of the rules of professional conduct.

(2) Any damage caused by a multiple agent or any other person in the employ of the multiple agent for mediating insurance under contract of employment, personal service contract or other work-related relationship while engaged in mediating insurance, and any restitution incurred shall be the liability of the insurance company.

(3) Liability for damages caused by the multiple agent while engaged in mediating insurance, and for the payment of restitution incurred shall fall upon the insurance company on whose behalf the multiple agent was acting when the damage occurred on account of his act or negligence.

(4) The insurance company referred to in Subsection (3) may demand compensation from the multiple agent, in particular, upon the multiple agent's breach of the obligation provided for in Subsection (3) of Section 387, and the incurred damages and the claim for restitution is the result of such negligence.

(5) If in doubt as to the insurance company whose product the multiple agent was mediating when the action that resulted in the damage or the claim for restitution took place, or if such insurance company cannot be identified, the multiple agent shall cover the losses and/or pay the restitution.

(6)<sup>1</sup> Multiple agents shall - at all times - carry professional indemnity insurance covering liability in connection with their activities,

a) representing at least 1,300,380 euro applying to each insured loss and in aggregate 1,924,560 euro per year for all claims covering the entire territory of the European Union, or

b) shall have 1,924,560 euro of secured financial reserves.

(7)<sup>2</sup> The professional indemnity insurance and financial security of multiple agents shall cover damages caused during their such activities as well as claims for restitution, also if the damages are realized or reported and the claim for restitution is notified within five years after the expiry of the contract for professional indemnity insurance or for the financial security.

(8) The minimum content requirements for the liability insurance policies shall be decreed by the Government.

### *Section 392*

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<sup>1</sup> Established by Section 189 of Act CX of 2020, effective as of 26 December 2020.

<sup>2</sup> Enters into force as under Section 54 of Act CLXII of 2015. Amended by Point 29 of Subsection (1) of Section 175 of Act LIII of 2016.

(1)<sup>1</sup> A multiple agent shall be allowed to establish a firm for the pursuit of multiple agency or brokering activities in another Member State or in a third country following notification - made thirty days before the proposed date of foundation or acquisition - of the Authority thereof, or may obtain qualifying interest in a firm engaged in the pursuit of multiple agency or brokering activities.

(2) The notification referred to in Subsection (1) shall contain the identification data of the firm proposed to be established or in which the qualifying interest is to be acquired, as well as the proposed date of foundation or acquisition.

### Section 393

(1) Multiple agents shall maintain a records system with sufficient facilities to permit individual identification of concluded insurance transactions in due observation of the rules contained in Sections 379-381.

(2)<sup>2</sup> A half-yearly and yearly report containing material information from the above-specified records that is not suitable for individual identification shall be sent to the Authority, respectively, by the sixtieth day of the following half-year or by 31 May following the year to which it pertains.

(3) Rules for the reports to be filed by multiple agents shall be decreed by the Governor of the Magyar Nemzeti Bank (*National Bank of Hungary*).

### Section 394

A multiple agent shall be entitled to indemnification provided for in Section 6:298 of the Civil Code only under an agreement concluded with the insurance company for that purpose in writing, and under the conditions set out therein.

## CHAPTER XXVIII

### PRINCIPAL AGENTS

### Section 395

(1) A principal agent is an agent of the insurance company who is fully authorized to perform functions within the insurance company's system of business management, such as in particular:

- a) the conclusion of contracts;
- b) issuing policies upon the conclusion of insurance contracts; and
- c) accepting payments of insurance premium.

(2) The natural person carrying out the activity of the principal agent and the director of principal agency activities shall be a natural person who:

- a) has no prior criminal record;
- b) has a university-level degree; and
- c) has experience as explained below:

ca) at least three years of experience as an insurance executive at an insurance company, an economic operator engaged in the pursuit of insurance mediation activities, in financial or economic management in the public sector, or at relevant trade group,

- cb) at least five years of experience working as an insurance intermediary,

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1 Enters into force as amended under Point 17 of Section 67 of Act CLXII of 2015.

2 Amended by Paragraph h) of Section 214 of Act CXLV of 2017.

cc)<sup>1</sup> a total of at least five years of experience with either of the organizations referred to in Subparagraphs *ca)-cb)*, whether under contract of employment, public service, government service, State service relationship or any other form of gainful employment.

(3) The requirements set out in Paragraphs *b)* and *c)* of Subsection (2) notwithstanding, the natural person carrying out the activity of the principal agent and the director of principal agency activities may be a natural person who:

*a)* graduated from a secondary education institution, and

*b)* has at least seven years of experience as an insurance executive at an insurance or reinsurance company or an economic operator engaged in insurance mediation activities.

(4) The end of the period of professional experience specified in Paragraph *c)* of Subsection (2) and in Paragraph *b)* of Subsection (3) shall be within ten years of the date of submission of the application for registration.

(5) Firms engaged in the pursuit of principal agency activities shall employ a natural person for the management of principal agency activities.

(6) The natural person responsible for the management of principal agency activities shall at all times act with due diligence and expertise consistent with the professional requirements applicable for their respective positions, also in view of the interests of the clients, in compliance with the relevant regulations.

#### *Section 396*

(1) Principal agents:

*a)* may engage exclusively in principal agency activities, and

*b)* may fill the office of principal agent only for one insurance or reinsurance company.

(2) Principal agents may not acquire a qualifying interest in any insurance company, or in a firm engaged in the pursuit of multiple agency or brokering activities.

#### *Section 397*

The provisions of this Act on insurance agents shall also apply to principal agents.

### **CHAPTER XXIX**

## **SPECIAL PROVISIONS RELATING TO THE FUNCTIONING OF INDEPENDENT INSURANCE INTERMEDIARIES**

### *175. Insurance brokers*

#### *Section 398*

(1)<sup>2</sup> Independent insurance intermediaries (hereinafter referred to as “broker”) work for and on behalf of the client, under contract with the client, and are engaged in activities preparatory to the conclusion of contracts of insurance. Their activities may include concluding the contract on behalf of the client and participating in enforcing the client’s claims.

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<sup>1</sup> Established by Section 115 of Act LXIV of 2016, effective as of 1 July 2016.

<sup>2</sup> Enters into force as under Section 55 of Act CLXII of 2015.

(1a)<sup>1</sup> The activities of brokers may cover the identification and management of the client's insurance risks and/or giving advice relating to the client's insurance policies, regardless of product sales.

(2) If so authorized by the insurance company, the broker is entitled to act on the client's orders to accept payments of insurance premiums and, if agreed upon by the insurance company or instructed by the client, to participate in the assessment of risk and in the performance and fulfillment of the contract according to the rights and obligations stipulated therein.

(3) Brokers may not engage in agency or multiple insurance agency activities.

(4)<sup>2</sup> By way of derogation from Subsection (3), the broker shall be entitled - on the client's orders - to carry out the activity referred to in Subparagraph *ab*) of Paragraph *a*) of Subsection (1) of Section 368, provided that the insurance product is offered in relation to brokering activities.

(5)<sup>3</sup> In the case of non-advised sales, in carrying out work preparatory to the conclusion of insurance contracts, the broker shall - in addition to and in accordance with the requirements set out in this Act on non-advised sales - perform an objective analysis of a sufficient number of insurance products competing on the market, and shall provide that analysis to the client by means which can be proved.

(6)<sup>4</sup> In the case of advised sales, the multiple agent shall - in addition to and in accordance with the requirements set out in this Act on non-advised sales - give advice to the client on the basis of a fair and personal analysis and, to that end, perform an objective analysis of a sufficient number of insurance products competing on the market in carrying out work preparatory to the conclusion of insurance contracts, and shall provide the client with a personalized recommendation relating to a particular insurance product or products on the basis of and depending on certain analytical requirements consistent with the client's demands and needs ascertained relying on information given by the client, explaining why that product would best meet the client's demands and needs.

(7)<sup>5</sup> The broker shall provide the analysis referred to in Subsection (6) to the client by means which can be proved.

(8)<sup>6</sup> In the case under Subsection (4) and subject to the requirements set out in this Act in relation to insurance distribution, the broker shall not be subject to the obligation provided for in Subsections (5) and (6) concerning the analysis of insurance products, however, the broker is required to inform the client, by means which can be proved:

- a*) that the analysis of a sufficient number of insurance products competing on the market has not been carried out in connection with the given insurance product, and
- b*) about the insurance company whose insurance product is being offered.

### Section 399

(1) Brokers may take up insurance mediation activities if authorized by the Authority, in the form of:

- a*) limited company;
- b*) private limited-liability company with at least five million forints in equity capital;
- c*) Hungarian branch of a third-country insurance intermediary company with at least five million forints in capital.

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1 Enacted by Subsection (1) of Section 192 of Act CXLV of 2017, effective as of 23 February 2018.

2 Amended by Paragraph m) of Section 213 of Act CXLV of 2017.

3 Established by Subsection (2) of Section 192 of Act CXLV of 2017, effective as of 23 February 2018.

4 Established by Subsection (2) of Section 192 of Act CXLV of 2017, effective as of 23 February 2018.

5 Established by Subsection (2) of Section 192 of Act CXLV of 2017, effective as of 23 February 2018.

6 Enacted by Subsection (2) of Section 192 of Act CXLV of 2017, effective as of 23 February 2018.

(2) After granting the authorization referred to in Subsection (1), the Authority shall register the broker in active status.

(3) The Authority's authorization is not required for the branch of a broker established in another Member State if pursuing activities through a branch or in the form of cross-border services.

### Section 400

(1) As appropriate for the insurance mediation activities intended to be pursued, brokers:

a) shall have ownership title or the right to use or lease of premises suitable for receiving clients;

b) shall have continuous systems of files and records permitting individual identification of the activities performed;

c) shall have in place the means required for compliance with the obligation of disclosure to the Authority;

d)<sup>1</sup> shall meet the personnel conditions prescribed for insurance mediation activities.

(2) Brokers shall employ a natural person delegated for the management of insurance mediation activities under contract of employment.

(2a)<sup>2</sup> The person referred to in Subsection (2) may be employed by a broker in the position of manager responsible for distribution operations.

(3) The natural person responsible for the management of insurance mediation activities as provided for in Subsection (2) shall be a person who:

a) has no prior criminal record;

b) meets either of the professional requirements below:

ba)<sup>3</sup> has a university-level degree and at least three years of experience as an insurance executive at an insurance company, an economic operator engaged in the pursuit of insurance mediation activities, in financial or economic management in the public sector, or at relevant trade group, or have a total of at least five years of experience in the field of insurance in the employment of an insurance company, an economic operator engaged in the pursuit of insurance mediation activities, or in financial or economic management in the public sector, or at relevant trade group, whether under contract of employment, public service, government service, State service relationship or any other form of gainful employment, or

bb) graduated from a secondary education institution and have at least seven years of experience as an insurance executive at an insurance company or an economic operator engaged in insurance mediation activities;

c) is engaged in mediating exclusively at the given insurance intermediary;

d) is not employed by any insurance company under contract of employment or any other work-related contractual relationship;

e) complies with fit and proper requirements.

(4)<sup>4</sup> The end of the period of professional experience specified in Paragraph b) of Subsection (3) shall be within ten years of the date of submission of the application for authorization.

(5) The natural person responsible for the management of insurance mediation activities as provided for in Subsection (2) shall at all times act with due diligence and expertise consistent with the professional requirements applicable for their respective positions, also in view of the interests of the clients, in compliance with the relevant regulations.

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1 Enacted by Section 168 of Act LIII of 2016, effective as of 1 July 2016.

2 Enacted by Section 170 of Act CXXVI of 2018, effective as of 29 December 2018.

3 Established by Section 116 of Act LXIV of 2016, effective as of 1 July 2016.

4 Enters into force as amended under Paragraph i) of Subsection (1) of Section 72 of Act CLXII of 2015.

*Section 401*

If the own funds of a broker fall below the mandatory minimum referred to in Subsection (1) of Section 399, or as prescribed in the Civil Code for limited companies, the broker must provide additional funds to comply with the mandatory minimum capital requirement.

*Section 402*

(1) Brokers shall act at all times in observation of the rules of professional conduct. Brokers shall be held liable for any failure to fulfill the above-specified obligation, particularly for giving wrong or misleading advice, wrongful handling of premiums and any defect or delay in forwarding statements and declarations.

(2) The liability of brokers provided for in Subsection (1) shall apply to all persons acting in the broker's name.

(3) The broker shall be relieved of the liability provided for in Subsection (1) if able to prove that the wrong or misleading advice or the erroneous statement was the result of any defect in the form or document prescribed by the insurance company for use in the conclusion of contracts.

*Section 403*

(1)<sup>1</sup> Brokers shall - at all times - carry professional indemnity insurance covering liability in connection with their activities,

a) representing at least 1,300,380 euro applying to each insured loss and in aggregate 1,924,560 euro per year for all claims covering the entire territory of the European Union, or

b) shall have 1,924,560 euro of secured financial reserves.

(2)<sup>2</sup> The professional indemnity insurance and financial security of brokers shall cover damages caused during their such activities as well as claims for restitution, also if the damages are realized or reported and the claim for restitution is notified within five years after the expiry of the contract for professional indemnity insurance or for the financial security.

(3) The minimum content requirements for the liability insurance policies shall be decreed by the Government.

*Section 404*

(1) Brokers shall maintain separate accounts for handling funds paid by the client to the order of insurance companies, or the funds paid by insurance companies to clients, and may not handle them as deposits. By way of derogation from the provisions of the Bankruptcy Act, in the event of the broker's liquidation those funds shall not comprise a part of the assets which are subject to liquidation.

(2) If the broker does not forward the funds referred to in Subsection (1) to the order of the payee by the end of the next working day following the date of payment, such funds shall be placed in a discretionary account opened at a credit institution established in a Member State (segregated client account).

(3) The broker shall lay down the detailed rules for handling client accounts in his cash handling policy.

*Section 405*

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<sup>1</sup> Established by Section 190 of Act CX of 2020, effective as of 26 December 2020.

<sup>2</sup> Enters into force as under Section 56 of Act CLXII of 2015. Amended by Point 29 of Subsection (1) of Section 175 of Act LIII of 2016.

(1)<sup>1</sup> A broker shall be allowed to establish a firm for the pursuit of multiple agency or brokering activities in another Member State or in a third country following notification - made thirty days before the proposed date of foundation or acquisition - of the Authority thereof, or may obtain qualifying interest in a firm engaged in the pursuit of multiple agency or brokering activities.

(2) The notification referred to in Subsection (1) shall contain the identification data of the firm proposed to be established or in which the qualifying interest is to be acquired, as well as the proposed date of foundation or acquisition.

#### Section 406

(1) Brokers shall maintain a records system with sufficient facilities to permit individual identification of concluded insurance transactions in due observation of the rules contained in Sections 379-381.

(2)<sup>2</sup> A half-yearly and yearly report containing material information from the above-specified records that is not suitable for individual identification shall be sent to the Authority, respectively, by the sixtieth day of the following half-year or by 31 May following the year to which it pertains.

(3) Rules for the reports to be filed by brokers shall be decreed by the Governor of the Magyar Nemzeti Bank (*National Bank of Hungary*).

#### Section 406/A<sup>3</sup>

(1) The transferring broker may transfer its portfolio of contracts for insurance mediation services - including the rights and obligations arising out of such contracts, with the terms and conditions of the insurance contracts connected to the said service contract unaltered - in part or in whole to another broker operating in the form provided for in Paragraphs *a*) and *b*) of Subsection (1) of Section 399, or to the branch of a broker established in another Member State referred to in Subsection (3) of Section 399 (hereinafter referred to collectively as "receiving broker").

(2) From the time specified in the portfolio transfer agreement, i.e. the date of transfer, all rights and obligations of the transferring broker arising out of or in connection with the contracts for mediation services shall accrue upon the receiving broker, moreover, the receiving broker shall become entitled to process the personal and other data of affected clients, insurance companies and insurance contracts.

(3) The requirement of confidentiality concerning insurance secrets shall not apply to the transferring broker vis-à-vis the receiving broker from the date of transfer with respect to the insurance secrets related to the transfer provided for in Subsection (2).

(4) The consent of clients of the contracts for mediation services (for the purposes of this Section hereinafter referred to as "customer") affected by the transfer is not required for the transfer of the portfolio.

(5) The receiving broker shall notify the customers in writing in the language of the contract, within thirty days from the date of transfer, concerning the transfer and on the rights of customers arising in connection with the transfer.

(6) Customers shall have the right to terminate the transferred contract for mediation services with a thirty-day notice - also if the contract contains any clause to the contrary or if it is for fixed term - within thirty days from the date of receipt of the notice referred to in Subsection (5) by way of a written statement addressed to the receiving broker.

(7) The right to terminate under Subsection (6) shall not apply to the customer whose contract for mediation services contains a clause according to which the customer gave prior, unrestricted consent for its transfer, or if the customer did not reserve the right to withdraw his statement of consent.

1 Enters into force as amended under Point 17 of Section 67 of Act CLXII of 2015.

2 Amended by Paragraph *h*) of Section 214 of Act CXLV of 2017.

3 Enacted by Section 194 of Act CXLV of 2017, effective as of 1 January 2018.

(8) The receiving broker shall publish an announcement on its website at the latest on the date of transfer, or if the receiving broker does not have a website, shall post it in the customer area of its premises, and shall keep it continually accessible for ninety days from the date of transfer. The announcement shall also contain the right of the customers provided for in Subsection (6), arising in consequence of the transfer, and the related deadlines.

(9) Transferring brokers shall report to the Authority their intention to transfer their portfolio at least sixty days before the date of transfer. The report shall include:

- a) the proposed date of transfer;
- b) the number of contracts for mediation services to be transferred;
- c) the number of insurance contracts involved in the contracts for mediation services to be transferred, and the annual premiums shown in the last annual report;
- d) a list of the insurance companies, class of insurance or products affected; and
- e) the identification data of the transferring and the receiving broker.

(10) The following shall be enclosed with the notification:

- a) the draft of the transfer agreement;
- b) the contract between the transferring broker and the receiving broker for the transfer of the accounts and for receiving those accounts;
- c) the receiving broker's statement declaring:
  - ca) that it meets the personnel and infrastructure requirements prescribed by law, and
  - cb) that the circumstances under Paragraphs a)-c) of Subsection (11) do not apply; and
- d) if the receiving broker is a branch provided for in Subsection (3) of Section 399, a certified copy of the contract for professional indemnity insurance under Subsections (1) and (2) of Section 403 or for the financial security of the broker established in another Member State.

(11) The Authority shall have the right to prohibit the portfolio transfer within forty-five days calculated from the date of submission of notification, if the conditions set out in Subsections (9) and (10) are not satisfied, and if it learns of any fact, data or circumstance, by way of site inspection or otherwise, giving rise to reasonable suspicion that the receiving broker is unable to handle the transferred portfolio in accordance with the requirements laid down by the relevant legislation, in particular, if:

- a) the personnel and infrastructure the receiving broker has appears insufficient for the lawful handling of the portfolio proposed to be transferred in light of the quantity of contracts for mediation services and the related insurance contracts, taking also into account the magnitude of the ensuing administrative responsibilities;
- b) the Authority has imposed sanctions upon the receiving broker for any repeated or serious infringement during the period of three years preceding the date of submission of the notification referred to in Subsection (9), in particular with regard to Paragraphs a) and b) of Section 415;
- c) the receiving broker engaged in serious breach of professional standards during the period of three years preceding the date of submission of the notification provided for in Subsection (9), resulting in:
  - ca) serious or repeated loss that had to be compensated from the indemnity insurance or financial security provided for in Subsection (1) of Section 403, and/or
  - cb) damages suffered by its customer, in accordance with the court ruling adopted in the form of final decision;
- d) it appears that the transfer is likely to harm the interests of customers affected by the transfer.

(12) The provisions of Sections 6:208-6:211 of the Civil Code on the transfer of contracts shall not apply to the transfer of the broker's portfolio.



SUPERVISION OF INSURANCE INTERMEDIARIES AND ANCILLERY INSURANCE  
INTERMEDIARIES<sup>1</sup>

## CHAPTER XXX

REGISTER OF INSURANCE INTERMEDIARIES AND ANCILLERY INSURANCE  
INTERMEDIARIES<sup>2</sup>*176. Registration of insurance intermediaries and ancillary insurance intermediaries  
and economic operators engaged in ancillary insurance mediation<sup>3</sup>**Section 40<sup>4</sup>*

(1) The Authority shall maintain a register on insurance intermediaries and the managers of such insurance intermediaries responsible for distribution operations, and on economic operators engaged in ancillary insurance mediation and the managers of such economic operators responsible for distribution operations notified or authorized under this Act in order to carry out authorization and supervisory functions relative to them.

(2) The notification form for registration as provided for in Subsection (1) shall be capable of being completed and submitted directly through the Authority's website.

(3) The register referred to in Subsection (1) shall comprise the register of natural persons engaged in the activities of insurance intermediaries, the register of economic operators engaged in insurance mediation, the register of economic operators engaged in ancillary insurance mediation and the register of de-registered insurance intermediaries.

(4) The register of natural persons engaged in insurance mediation activities shall contain the following personal data of such natural persons:

- a) name, birth name, place and date of birth, mother's name, home address;
- b) registration number and the date of issue;
- c) the Member State or Member States with respect of whom the natural person notified his intention to pursue insurance mediation activities to the Authority under Section 422;
- d) if the natural person engaged in the pursuit of insurance mediation operates within an economic operator:
  - da) the name of this economic operator (including any changes),
  - db) registration number of the economic operator,
  - dc) date of entering into and terminating the relationship with the economic operator for insurance mediation, description of the relationship (including any changes);
- e) type of insurance mediating (independent, tied);
- f) name of the insurance company or companies, multiple agent or broker with whom the insurance intermediary is engaged by contract for mediating insurance (including any changes), and the date of entering into and terminating the legal relationship for insurance mediation, description of the legal relationship (including any changes);

1 Amended by Paragraph g) of Section 213 of Act CXLV of 2017.

2 Amended by Paragraph g) of Section 213 of Act CXLV of 2017.

3 Established by Section 195 of Act CXLV of 2017, effective as of 23 February 2018. Amended by Paragraph g) of Section 213 of Act CXLV of 2017.

4 Established by Section 171 of Act CXXVI of 2018, effective as of 29 December 2018.

g) for agents, classification of the products mediated according to Annexes 1 and 2 separately for each insurance company;

→h) <sup>1</sup> type of education (university-level degree, secondary education or vocational training in economics, professional qualification or vocational training in economics, insurance intermediary professional qualification or official certificate);

i) status (active or inactive);

j) an indication of compliance with the requirement of continuing professional training or development provided for in Section 376.

(5) The register of economic operators engaged in insurance mediation activities shall contain the following particulars of economic operators:

a) name, abbreviated name, registered address, place of business and branch, tax number of the economic operator, identification data of the manager responsible for distribution operations;

b) registration number and the date of issue;

c) the Member State or Member States with respect of whom the economic operator notified its intention to pursue insurance mediation activities to the Authority under Section 422 (including the name of the general representative or person responsible for the management of the branch, where appropriate);

d) type of insurance mediating (independent, tied);

e) name of the insurance company, or multiple agent or broker with whom the insurance intermediary is engaged by contract for mediating insurance (including any changes), and the date of entering into and terminating the relationship for insurance mediation, description of the relationship (including any changes);

f) for agents, classification of the products mediated according to Annexes 1 and 2 separately for each insurance company;

g) status (active or inactive);

h) identification data of shareholders or members with qualifying holding in the economic operator engaged in insurance mediation, including the percentage of the holding;

i) identification data of persons with whom the economic operator engaged in insurance mediation has close links;

j) a statement from the economic operator engaged in the activities of insurance intermediaries declaring that the qualifying interest referred to in Paragraphs h) and i) or close links do not prevent the effective exercise of the supervisory functions of the Authority.

(6) The register of economic operators engaged in ancillary insurance mediation shall contain the following information:

a) name, abbreviated name, registered address, place of business and branch, tax number of the economic operator engaged in ancillary insurance mediation, identification data of the manager responsible for distribution operations to be appointed separately for each sales location;

b) registration number and the date of issue;

c) the Member State or Member States with respect of whom the economic operator notified its intention to pursue ancillary insurance mediation activities to the Authority under Section 422 (including the name of the general representative or person responsible for the management of the branch, where appropriate);

d) name of the insurance company, or multiple agent or broker with whom the economic operator is engaged by contract for mediating insurance (including any changes), and the date of entering into and terminating the legal relationship for ancillary insurance mediation, description of the legal relationship (including any changes);

e) an indication of compliance with the requirements set out in Section 376 by the person in charge of distribution operations to be appointed separately for each sales location;

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1 Amended by Paragraph b) of Section 70 of Act LXXVI of 2023.

f) identification data of shareholders or members with qualifying holding in the economic operator engaged in ancillary insurance mediation, including the percentage of the holding;

g) identification data of persons with whom the economic operator engaged in ancillary insurance mediation has close links;

h) a statement from the economic operator engaged in ancillary insurance mediation declaring that the holdings referred to in Paragraphs f) and g) or close links do not prevent the effective exercise of the supervisory functions of the Authority.

(7) The Authority may process the data provided for in Subsections (4)-(6) for a period of ten years following the termination of insurance mediation or ancillary insurance mediation activities.

(8) With respect to the personal data included in the registers provided for in Subsection (1), the Authority shall function as the data processor.

(9) The Authority shall refuse registration or shall apply the measure specified in Paragraph d) of Subsection (1) of Section 431 if the close link indicated in the registers provided for in this Section and in Section 412 exists with a natural person or economic operator established in a third country where there are legal impediments liable to prevent the Authority from the effective exercise of its supervisory functions.

#### *Section 408*

(1) The Authority shall transmit to the agency for personal data and address records the personal identification data (name, place of birth, date of birth, mother's name) and home address of natural persons engaged in the activities of insurance intermediaries by way of electronic means for the purpose of identification. After positive identification is made, the agency for personal data and address records shall assign an access code and send it to the Authority for identification purposes.

(2) The agency for personal data and address records shall notify the Authority concerning any changes in the particulars of the identified natural person shown in the personal data and address records by way of the access code referred to in Subsection (1).

(3) The data reconciliation defined in Subsections (1) and (2) shall be free of charge.

#### *Section 409<sup>1</sup>*

(1) The register referred to in Subsection (1) of Section 407 shall be construed as an official public register with respect to the natural or legal persons engaged in insurance mediation activities, and economic operators engaged in ancillary insurance mediation authorized or notified under this Act, with respect:

a) to the name of the natural person or economic operator,

b) to the registration number and the date of issue; and

c) to their entitlement for acting as an independent or a tied insurance intermediary.

#### *Section 410<sup>2</sup>*

(1) In the course of the registration procedure, the Authority shall assign a registration number to each natural person and economic operator insurance intermediaries, and economic operators engaged in ancillary insurance mediation.

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1 Established by Section 196 of Act CXLV of 2017, effective as of 23 February 2018.

2 Established by Section 196 of Act CXLV of 2017, effective as of 23 February 2018.

(2) Each insurance intermediary or economic operator engaged in ancillary insurance mediation in active status shall have only one registration number assigned; the registration number of an insurance intermediary or economic operator engaged in ancillary insurance mediation in active status shall not be assigned to another insurance intermediary or economic operator engaged in ancillary insurance mediation.

(3) The Authority shall - on a continuous basis - make available on its website the name of natural persons engaged in the activities of insurance intermediaries, the names and registered offices of economic operators engaged in insurance mediation or ancillary insurance mediation, as well as the data provided for in Paragraphs *b)-g)* and *i)* of Subsection (4) of Section 407, Paragraphs *b)-g)* of Subsection (5) of Section 407 and in Paragraphs *b)-d)* of Subsection (6) of Section 407.

(4)<sup>1</sup> The Authority shall systematically review the data contained in the register.

### *Section 411<sup>2</sup>*

(1) Insurance intermediaries and economic operators engaged in ancillary insurance mediation shall be registered upon notification - by way of the means decreed by the Governor of Magyar Nemzeti Bank (*National Bank of Hungary*) - by the insurance company, multiple agent or broker on whose behalf they perform insurance mediation activities. As regards the activities of brokers provided for in Subsection (4) of Section 398 no registration is required.

(2) Natural person insurance intermediaries are required to comply with the requirements set out in Subsection (3) of Section 369 at the time of registration into the register of the given insurance mediation activities.

(3)<sup>3</sup> The managers responsible for distribution operations of economic operators engaged in insurance mediation and the persons in charge of distribution operations of economic operators engaged in ancillary insurance mediation shall comply - at the time of registration - with the requirement of good repute under Section 69/A.

(4) Natural person insurance intermediaries and economic operators engaged in insurance mediation activities, and the natural person insurance intermediaries in their employ, and economic operators engaged in ancillary insurance mediation shall be required to verify their compliance with the conditions for registration to the insurance company, multiple agent or broker in whose register - provided for in Section 412 - he has been entered.

*177.4 Internal registers on insurance intermediaries, economic operators engaged in ancillary insurance mediation and on persons provided for in Subsection (1) of Section 368*

### *Section 412<sup>5</sup>*

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1 Enacted by Section 172 of Act CXXVI of 2018, effective as of 29 December 2018.  
2 Established by Section 196 of Act CXLV of 2017, effective as of 23 February 2018.  
3 Established by Section 173 of Act CXXVI of 2018, effective as of 29 December 2018.  
4 Established by Section 197 of Act CXLV of 2017, effective as of 23 February 2018.  
5 Established by Section 174 of Act CXXVI of 2018, effective as of 29 December 2018.

(1) Insurance companies, multiple agents and brokers are required to maintain an internal records system on the natural persons they employ or engage to mediate insurance or, if they engage an economic operator to mediate insurance, on that economic operator and the natural persons who pursue the mediation of insurance at such economic operator, furthermore, on the economic operators engaged in ancillary insurance mediation they commission, and on the natural persons engaged in ancillary insurance mediation at that economic operator, including the persons provided for in Subsection (1) of Section 368 in their employ, and for the purpose of facilitating the registration and supervision of insurance intermediaries, ancillary insurance intermediaries and the persons provided for in Subsection (1) of Section 368.

(2) The internal records referred to in Subsection (1) shall comprise the internal register of natural persons engaged in the activities of insurance intermediaries, the internal register of economic operators engaged in insurance mediation, the internal register of economic operators engaged in ancillary insurance mediation, and the internal register of the persons provided for in Subsection (1) of Section 368.

(3) The internal register of natural persons engaged in the activities of insurance intermediaries shall contain the following information (including any changes in the particulars of insurance intermediaries during the term of their contract and documented records of such changes):

a) name, place and date of birth, mother's name, home address of the natural persons engaged in the activities of insurance intermediaries;

b) registration number and the date of issue;

c) the Member State or Member States with respect of whom the natural person notified his intention to pursue insurance mediation activities to the Authority under Section 422;

d) if the natural person engaged in the pursuit of insurance mediation operates within an economic operator engaged in the activities of insurance intermediaries:

da) name of this economic operator,

db) registration number of the economic operator,

dc) date of entering into and terminating the relationship with the economic operator for insurance mediation, description of the relationship;

e) type of insurance mediating (independent, tied);


f) regarding the insurance company, multiple agent or broker:

fa) date on which the relationship with the firm begins and ends, description of the relationship,

fb) detailed description of the activities performed on behalf of the insurance company, multiple agent or broker under contract,

fc) description of any restrictions in the contract, reasons and circumstances for terminating the contract;

g) for agents, classification of the products mediated according to Annexes 1 and 2 separately;

h) type of education (university-level degree, secondary education or vocational training in economics, professional qualification or vocational training in economics, insurance intermediary professional qualification or official certificate), and a copy of the underlying document;

i) an indication if the license has been revoked from the natural person insurance intermediary following his termination of employment with the insurance company, multiple agent or broker;

j) an indication of compliance with the requirement of continuing professional training or development provided for in Section 376;

k) proof of compliance with the requirement of good repute under Section 69/A.

(4) The internal register of economic operators engaged in the activities of insurance intermediaries shall contain the following information (including any changes in the particulars of the insurance intermediaries during the term of their contract and documented records of such changes):

a) name, abbreviated name, registered address, place of business and branch, tax number of the economic operator engaged in insurance mediation, name of the manager responsible for distribution operations;

b) registration number and the date of issue;

c) the Member State or Member States with respect of whom the economic operator notified its intention to pursue insurance mediation activities to the Authority under Section 422 (including the name of the general representative or person responsible for the management of the branch, where appropriate);

d) type of insurance mediating (independent, tied);

e) date on which the legal relationship for mediating insurance with the insurance company, multiple agent or broker begins and ends;

f) for agents, classification of the products mediated according to Annexes 1 and 2 separately;

g) an indication of compliance with the requirements set out in Section 69/A and Section 376 by the manager responsible for distribution operations;

h) identification data of shareholders or members with qualifying holding in the economic operator engaged in insurance mediation, including the percentage of the holding;

i) identification data of persons with whom the economic operator engaged in insurance mediation has close links;

j) a statement from the economic operator engaged in the activities of insurance intermediaries declaring that the qualifying interest referred to in Paragraphs h) and i) or close links do not prevent the effective exercise of the supervisory functions of the Authority.

(5) The internal register of economic operators engaged in ancillary insurance mediation shall contain the following information (including any changes in the particulars of the economic operators engaged in ancillary insurance mediation during the term of their contract and documented records of such changes):

a) name, abbreviated name, registered address, place of business and branch, tax number of the economic operator engaged in ancillary insurance mediation, identification data of the manager responsible for distribution operations to be appointed separately for each sales location;

b) implicitly the details provided for in Paragraphs b), c) and g) of Subsection (4);

c) classification of the products mediated according to Annexes 1 and 2 separately (if the economic operator engaged in ancillary insurance mediation does not work for a broker or multiple agent);

d) the names of natural persons engaged in the activities of ancillary insurance intermediaries they employ or engage;

e) date on which the legal relationship for ancillary insurance mediation with the insurance company, multiple agent or broker begins and ends;

f) identification data of shareholders or members with qualifying holding in the economic operator engaged in ancillary insurance mediation, including the percentage of the holding;

g) identification data of persons with whom the economic operator engaged in ancillary insurance mediation has close links;

h) a statement from the economic operator engaged in ancillary insurance mediation declaring that the holdings referred to in Paragraphs f) and g) or close links do not prevent the effective exercise of the supervisory functions of the Authority.

(6) The internal register of the persons provided for in Subsection (1) of Section 368 shall contain the following information (including any changes in the particulars of the persons provided for in Subsection (1) of Section 368 during the term of their relationship and documented records of such changes):

a) implicitly the details provided for in Paragraph *a*) of Subsection (4), excluding the name of the manager responsible for distribution operations;

b) classification of the products mediated according to Annexes 1 and 2 separately (if the economic operator engaged in ancillary insurance mediation does not work for a broker or multiple agent); and

c) the name of at least one person for each sales location whose job is insurance distribution.

(7) With respect to the personal data included in the registers specified in Subsection (1), the insurance company, multiple agent or broker keeping the internal register in question shall function as the data processor, and shall be allowed to process such data for a period of five years following the termination of the legal relationship with the data subject, whether a person or organization.

(8) The insurance company keeping the internal register in question, the multiple agent or the broker shall notify to the Authority any changes in the particulars referred to in Subsections (3)-(5) - excluding changes in the data provided for in Subsection (9), and the changes referred to in Paragraphs *b*) and *f*) of Subsection (3), and in Paragraph *b*) of Subsection (4) - within thirty days from the registration of changes in the internal records by way of the means decreed by the Governor of Magyar Nemzeti Bank (*National Bank of Hungary*).

(9) Insurance companies, multiple agents and brokers shall notify to the Authority any changes in the particulars referred to in Subparagraph *dc*) of Paragraph *d*) and Subparagraph *fa*) of Paragraph *f*) of Subsection (3), Paragraphs *e*) and *h*)-*j*) of Subsection (4) and Paragraphs *e*)-*h*) of Subsection (5), within two working days from the registration of changes in the internal records by way of the means decreed by the Governor of Magyar Nemzeti Bank (*National Bank of Hungary*).

## CHAPTER XXXI

### AUTHORIZATION OF INSURANCE INTERMEDIARIES

#### *Section 413*

The Authority's authorization shall be required:

- a) for the pursuit of the activities of multiple agents and brokers;
- b) for the employment of a natural person for the management of activities of multiple agents and brokers;
- c) for starting up the activities of a branch to be established by an insurance intermediary established in a third country;
- d) for the employment of the general representative of a branch set up by an insurance intermediary established in a third country;
- e)<sup>1</sup> for termination and suspension of the activities of multiple agents and brokers upon request.

#### *178. Authorization of multiple agents and brokers*

#### *Section 414*

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1 Enters into force as amended under Point 23 of Section 67 of Act CLXII of 2015.

(1) The application for the authorization of multiple agents and brokers shall be accompanied by:

a) proof of ownership title or the right to use or lease of premises suitable for receiving clients;

b)<sup>1</sup> proof of having in place a system of files and records consistent with the activities performed permitting individual identification on a regular basis;

c) documents in proof of having in place the means required for compliance with the obligation of disclosure to the Authority;

d) proof of employment of a natural person placed in charge for the management of insurance mediation activities;

e)<sup>2</sup> a liability insurance policy for covering damages caused during operations, or proof of appropriate financial security;

f)<sup>3</sup> a description of the regulations and internal control mechanisms implemented to comply with obligations in relation to money laundering and terrorist financing, and on the implementation of restrictive measures imposed by the European Union and the UN Security Council relating to liquid assets and other financial interests, with respect to life insurance contracts.

(2)<sup>4</sup> Where a multiple agent or broker requests authorization to terminate his activities, and at the same time applies for authorization:

a) to operate as multiple agent in the case of brokers,

b) to operate as broker in the case of multiple agents,

Subsections (1) and (2) of Section 420 shall not apply.

(3)<sup>5</sup> If the Authority's decision for permission for the employment of a natural person for the management of multiple agency and brokering activities is adopted in the procedure for authorizing the activities of the multiple agent and broker, the application referred to in Subsection (1) hereof shall be accompanied by the documents provided for in Subsection (1) of Section 416.

(4)<sup>6</sup> The provisions contained in Subsection (3) of Section 416 shall not apply in the cases covered in Subsection (3) hereof.

### Section 415

The Authority shall refuse to grant authorization to engage in the activities of multiple agents and brokers if:

a) the Authority has taken measures to revoke the applicant's authorization or the authorization of the applicant's major shareholder with qualifying interest for the pursuit of the activities of multiple agents and brokers inside a period of three years prior to the date of submission of the application;

b) the applicant's executive officer or major shareholder with qualifying interest, or senior officer responsible for the management of operations held an executive office in, or has been the owner of, a multiple agent or broker inside a period of three years prior to the date of submission of the application, whose authorization for the pursuit of the activities of multiple agents and brokers had been withdrawn by the Authority inside a period of three years prior the date of submission of the application; or

c) the applicant failed to verify during the procedure compliance with the requirements set out in Subsection (1) of Section 414.

### *179. Authorization of the employment of a natural person for the management of activities of multiple agents and brokers*

1 Enters into force as amended under Point 24 of Section 67 of Act CLXII of 2015.

2 Enacted by Section 170 of Act LIII of 2016, effective as of 1 July 2016.

3 Enacted by Subsection (3) of Section 92 of Act LIII of 2017, effective as of 26 June 2017.

4 Established by Section 198 of Act CXLV of 2017, effective as of 21 November 2017.

5 Enters into force as amended under Point 25 of Section 67 of Act CLXII of 2015.

6 Amended by Paragraph b) of Subsection (1) of Section 10 of Act CXCI of 2017.



*Section 416*

(1) The application for the authorization of the employment of a natural person for the management of activities of multiple agents and brokers shall be accompanied by:

a)<sup>1</sup> a document in proof of having no prior criminal record, having regard to Subsection (3) of Section 4;

b)<sup>2</sup> proof of compliance with the requirements set out in Paragraphs b) and e) of Subsection (3) of Section 389 and/or Paragraphs b) and e) of Subsection (3) of Section 400;

c) a statement from the applicant of working only for the insurance intermediary in question and that he is not employed by any insurance company under contract of employment or any other work-related contractual relationship.

(2)<sup>3</sup>

(3)<sup>4</sup> If the natural person designated for the management of insurance mediation activities is not employed within three months from the time of the authorization, the authorization procedure for the employment of such person shall be reiterated.

(4) The provisions of Section 69 and Sections 253-254 shall also apply when determining compliance with fit and proper requirements.

*180. Authorization of the pursuit of activities for branches to be established by an insurance intermediary established in a third country*

*Section 417*

(1)<sup>5</sup> In addition to the requirements laid down in Subsections (1) of Section 414, applications for authorization for taking up the pursuit of the activities of multiple agents or brokers by branches of third-country insurance intermediaries shall contain:

a) the memorandum of association of the third-country company, a copy of its authorization and its audited balance sheet for the previous three years;

b) a statement from the supervisory authority of the home country in which it states that foundation of a branch on the territory of Hungary is not against the laws of that country and that it does not jeopardize the operation of the applicant insurance intermediary.

(2) Outside the conditions laid down in Subsection (1), the Authority shall give authorization if:

a) there is a valid cooperation agreement in force between the Authority and the supervisory authorities of the country in which the applicant insurance intermediary is established and if such agreement is based on the mutual recognition of supervisory authorities, covering issues pertaining to branches;

b)<sup>6</sup> the country in which the applicant insurance intermediary is established has legal regulations on money laundering and terrorist financing and on the implementation of restrictive measures imposed by the European Union and the UN Security Council relating to liquid assets and other financial interests that conform to the requirements prescribed under Hungarian law;

1 Established by Subsection (7) of Section 483 of Act L of 2017, effective as of 1 January 2018.

2 Amended by Point 31 of Subsection (1) of Section 175 of Act LIII of 2016.

3 Repealed by Paragraph c) of Subsection (2) of Section 10 of Act CXCI of 2017, effective as of 1 January 2018.

4 Amended by Paragraph d) of Subsection (2) of Section 10 of Act CXCI of 2017.

5 Amended by Paragraph g) of Section 176 of Act LIII of 2016.

6 Amended by Subsection (10) of Section 22 of Act LII of 2017.

c)<sup>1</sup> the country in which the applicant insurance intermediary is established has regulations on data protection that conform to the requirements prescribed in the relevant legislation or in directly applicable acts of the European Union;

d)<sup>2</sup> the applicant insurance intermediary has adequate data management regulations that conform to the requirements prescribed in the relevant legislation or in directly applicable acts of the European Union;

e) the applicant insurance intermediary provides a statement in which it offers guarantees for the liabilities incurred by its branch;

f) the applicant insurance intermediary declares its commitment to open a payment account with a domestic payment service provider to handle all transactions involved in its activities performed on the territory of Hungary;

g) the applicant insurance intermediary declares its commitment to keep the records and registers relating to its Hungarian operations on the territory of Hungary;

h) the applicant insurance intermediary has appointed a general representative subject to the approval of the Authority;

i) the seat and the main office of the applicant insurance intermediary is in the same country.

(3) The Authority shall publish a bulletin on the conclusion of the agreements referred to in Paragraph a) of Subsection (2) on its website, and shall take measures to ensure that the information remains continually accessible on the website.

(4) The Authority's decision for permission for the employment of the general representative of a branch set up by an insurance intermediary established in a third country shall be adopted in the procedure for authorizing the activities of the multiple agent and broker. The application referred to in Subsection (1) hereof shall be accompanied by the documents provided for in Subsection (1) of Section 418.

(5)<sup>3</sup> The provisions contained in Subsection (3) of Section 418 shall not apply in the cases covered in Subsection (2) hereof.

*181. Authorization of the employment of the general representative of a branch set up by an insurance intermediary established in a third country*

*Section 418*

(1) The application for authorization of the employment of the general representative of a branch set up by an insurance intermediary established in a third country shall be accompanied by:

a)<sup>4</sup> a document in proof of having no prior criminal record, having regard to Subsection (3) of Section 4;

b) documents in proof of compliance with fit and proper requirements;

c) documents verifying management experience and having a university-level degree.

(2)<sup>5</sup>

(3)<sup>6</sup> If the representative is not employed within three months from the time of the authorization, the authorization procedure for the employment of such person shall be reiterated.

*Section 419*

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1 Amended by Paragraph f) of Section 138 of Act XXXIV of 2019.

2 Amended by Paragraph f) of Section 138 of Act XXXIV of 2019.

3 Amended by Paragraph c) of Subsection (1) of Section 10 of Act CXCI of 2017.

4 Established by Subsection (8) of Section 483 of Act L of 2017, effective as of 1 January 2018.

5 Repealed by Paragraph e) of Subsection (2) of Section 10 of Act CXCI of 2017, effective as of 1 January 2018.

6 Amended by Paragraph f) of Subsection (2) of Section 10 of Act CXCI of 2017.

The provisions of Section 69 and Sections 253-254 shall also apply when determining compliance with fit and proper requirements.

*182. Termination or suspension of the activities of multiple agents and brokers upon request*

*Section 420*

(1)<sup>1</sup> Where a multiple agent or a broker proposes to terminate his activities, the Authority shall authorize the termination of activities if the multiple agent or broker has satisfied all its financial commitments and liabilities stemming from those activities in relation to handling funds paid by the client to the order of insurance companies, or funds paid by insurance companies to clients.

(2) The applicant shall be required to submit the documents and statements in proof of the circumstances mentioned in Subsection (1) to the Authority.

(3) Before granting authorization for the termination of activities, in order to protect the interests of clients the Authority may stipulate certain conditions and requirements in accordance with the relevant provisions of this Act, which must be satisfied before the multiple agent and the broker is required to carry on its operations under the relevant provisions.

(4) If the Authority has authorized the closure of operations, it shall at the same time withdraw the multiple agent's and broker's authorization and shall change their status in the relevant register to inactive.

*Section 421*

(1) The Authority shall authorize the suspension of multiple agency or brokering activities upon request, for a maximum term of six months.

(2) Authorization shall be granted on condition that the multiple agent or broker verifies of having liability insurance cover for damages caused during operations and for restitution, if the damages are realized or reported and the claim for restitution is notified during the suspension period, or having in place secured financial reserves for such damages.

(3) During the term of suspension other requirements for the activity need not be satisfied.

(4) At the time of issuing the resolution of authorization of suspension, the Authority shall change the status of the multiple agent or broker in the relevant register to inactive.

(5) Multiple agency and brokering activities may be restarted upon the multiple agent or broker providing proof to the Authority for compliance with the requirements for starting up the activity.

(6)<sup>2</sup> If compliance with the requirements for starting up the activity is verified, the Authority shall lift the suspension by means of a resolution, and shall - at the same time - change the status of the multiple agent or broker in the relevant register back to active.

**CHAPTER XXXII**

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<sup>1</sup> Established by Section 199 of Act CXLV of 2017, effective as of 21 November 2017.

<sup>2</sup> Amended by Paragraph e) of Section 182 of Act CXXVI of 2018.

**PROVISIONS ON CONTROL, NOTIFICATIONS AND COMMUNICATIONS  
RELATING TO THE SUPERVISION OF INSURANCE INTERMEDIARIES AND  
ANCILLERY INSURANCE INTERMEDIARIES<sup>1</sup>**

*183. Regulations on the taking up of activities by insurance intermediaries and ancillary insurance intermediaries or ancillary insurance intermediaries and ancillary insurance intermediaries in other Member States through a branch or in the form of cross-border services<sup>2</sup>*

*Section 422<sup>3</sup>*

(1) Where an insurance intermediary or ancillary insurance intermediary proposes to establish a branch or permanent presence in another Member State or to take up the pursuit of insurance mediation activities or ancillary insurance mediation activities in the form of cross-border services for the first time through the branch or in the form of permanent presence, it shall notify the Authority in advance.

(2) Any permanent presence of an insurance intermediary or ancillary insurance intermediary in the territory of another Member State that is equivalent to a branch shall be treated in the same way as a branch, unless the insurance intermediary or ancillary insurance intermediary lawfully sets up such permanent presence in another legal form. Such could be the case where the insurance intermediary's or ancillary insurance intermediary's permanent presence consists merely of an office managed by the own staff of the insurance intermediary or ancillary insurance intermediary or by a person who is independent but has permanent authority to act for the insurance intermediary or ancillary insurance intermediary as a branch would.

(3) In the case of cross-border services the notice referred to in Subsection (1) shall contain the following information:

a) the name, registered address or home address and, where applicable, the registration number of the insurance intermediary or ancillary insurance intermediary;

b) the Member State or Member States in which the insurance intermediary or ancillary insurance intermediary intends to operate;

c) the category of insurance intermediary or ancillary insurance intermediary and, if applicable, the name of any insurance or reinsurance company represented;

d) where applicable, classification of the products mediated according to Annexes 1 and 2.

(4) In the case of branches the notice referred to in Subsection (1) shall contain the following information:

a) the name, registered address or home address and, where applicable, the registration number of the insurance intermediary or ancillary insurance intermediary;

b) the Member State within the territory of which the insurance intermediary or ancillary insurance intermediary plans to establish a branch;

c) the category of insurance intermediary or ancillary insurance intermediary and, if applicable, the name of any insurance or reinsurance company represented;

d) where applicable, classification of the products mediated according to Annexes 1 and 2;

e) the address of the branch or permanent presence in the host Member State from which documents may be obtained;

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1 Amended by Paragraph g) of Section 213 of Act CXLV of 2017.

2 Established by Section 200 of Act CXLV of 2017, effective as of 23 February 2018. Amended by Paragraph g) of Section 213 of Act CXLV of 2017.

3 Established by Section 200 of Act CXLV of 2017, effective as of 23 February 2018.

f)<sup>1</sup> the name of the general representative or the person responsible for the management of the branch.

(5) Within one month of receiving the notification referred to in Subsection (1), the Authority shall communicate the information specified in Subsection (3) and (4) to the supervisory authority of the other Member State.

(6) The Authority shall without delay provide EIOPA with the information provided for in Subsections (3) and (4) of insurance intermediaries and ancillary insurance intermediaries - including a website address where such information is available, and any changes in such information -, which have notified the Authority of their intention to carry out activities in the form of cross-border services or to establish a branch in another Member State.

(7) If the Authority considers that the organizational structure or the financial situation of the insurance intermediary or ancillary insurance intermediary is inadequate, meaning, in particular, that they are unable to comply with the relevant legal requirements, or the personnel and infrastructure they have available appears insufficient, it shall adopt a resolution within one month of receiving the notification referred to in Subsection (4) so as to refuse to transfer data to the competent authority of the host Member State and shall inform the notifier that it may not commence operations in the form of a branch.

(8) In the case of cross-border services, the Authority shall inform the insurance intermediary or ancillary insurance intermediary in writing:

a) that the information the Authority has forwarded has been received by the competent authority of the other Member State and that it has acknowledged its receipt,

b) that it may commence its business in the other Member State,

c) where applicable, about the means to access the legal provisions of the other Member State on insurance distribution activities at the competent authority of that other Member State, or on the website of EIOPA, and that the notifier must comply with those legal provisions.

(9) In the case of branches, the Authority shall inform the insurance intermediary or ancillary insurance intermediary in writing that the information the Authority has forwarded has been received by the competent authority of the other Member State and that it has acknowledged its receipt. If the competent authority of the other Member State communicates to the Authority within one month of receipt of the notification forwarded by the Authority the legal provisions on insurance distribution activities which are applicable in its territory, the Authority shall communicate to the insurance intermediary or ancillary insurance intermediary in writing:

a) the existing legal provisions communicated by the competent authority of the other Member State on insurance distribution activities, and

b) that it may commence its business in the other Member State provided that it complies with the legal provisions referred to in Paragraph a).

Where no communication is received from the competent authority of the other Member State within one month of receipt of the notification forwarded by the Authority, the Authority shall inform in writing the insurance intermediary or ancillary insurance intermediary that it may establish the branch and commence its business.

(10) In the event of a change in any of the particulars provided for in Subsections (3) and (4), the insurance intermediary or ancillary insurance intermediary shall notify that change to the Authority at least one month before implementing the change.

(11) Within one month of receiving the notification referred to in Subsection (10), the Authority shall inform the competent authority of the other Member State of that change in the data.

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1 Amended by Point 15 of Section 181 of Act CXXVI of 2018.

*184.1 Rules relating to insurance intermediaries and ancillary insurance intermediaries established in other Member States for setting up a branch in Hungary and for taking up activities in Hungary through a branch or in the form of cross-border services*

*Section 423<sup>2</sup>*

(1) Where the Authority receives notice from the supervisory authority of another Member State in regard to an insurance intermediary or ancillary insurance intermediary registered under its jurisdiction is planning to establish a branch or permanent presence in Hungary or to take up the pursuit of insurance mediation activities or ancillary insurance mediation activities in the form of cross-border services for the first time, the Authority shall acknowledge its receipt without delay.

(2) Where an insurance intermediary or ancillary insurance intermediary registered in the territory of another Member State is planning to establish a branch or permanent presence in Hungary for taking up the pursuit of insurance mediation activities or ancillary insurance mediation activities, the Authority shall, within one month of receiving the information referred to in Subsection (1), communicate to the supervisory authority of the other Member State on the legislation provided for in Paragraph *t*) of Subsection (2) of Section 43 of the MNB Act.

(3) Any permanent presence in Hungary of an insurance intermediary or ancillary insurance intermediary authorized in another Member State that is equivalent to a branch shall be treated in the same way as a branch, unless permanent presence is established in another legal form under Hungarian law. Such could be the case where the insurance intermediary's or ancillary insurance intermediary's permanent presence consists merely of an office managed by the own staff of the insurance intermediary or ancillary insurance intermediary or by a person who is independent but has permanent authority to act for the insurance intermediary or ancillary insurance intermediary as a branch would.

*185. Other notification requirement of insurance intermediaries*

*Section 424*

(1) Multiple agents and brokers shall - within two working days - notify to the Authority:

- a*) any changes in the person managing the insurance mediation activities;
- b*) any change in the address of their registered office;
- c*) if the own funds drops below the limit of minimum capital requirement specified in Subsection (1) of Section 388 and Subsection (1) of Section 399;
- d*)<sup>3</sup> any change in their details referred to in Paragraphs *h*)-*j*) of Subsection (5) of Section 407.

(2) Multiple agents and brokers shall notify to the Authority concerning any increase or reduction of the equity (share) capital within thirty days.

(3) Multiple agent and brokers shall send a duplicate of their annual account, which is deposited with the court of registry, to the Authority by the last day of the fifth month following the balance sheet date.

(4) Multiple agents and brokers shall - within two working days - notify to the Authority:

- a*) if their liability insurance policy is terminated, including the date of termination;

1 Established by Section 201 of Act CXLV of 2017, effective as of 23 February 2018.

2 Established by Section 201 of Act CXLV of 2017, effective as of 23 February 2018.

3 Enacted by Section 175 of Act CXXVI of 2018, effective as of 29 December 2018.

b) if a new liability insurance policy is obtained, including the date when concluded, as well as documentary proof thereof.

(5)<sup>1</sup> Brokers shall report to the Authority their intention to transfer their portfolio of contracts for insurance mediation services at least sixty days before the date of transfer.

*186.2 Provisions relating to the supervision of the activities of the Hungarian branches of insurance intermediaries or ancillary insurance intermediaries established in other Member States, or their activities performed in Hungary in the form of cross-border services*

#### Section 425<sup>3</sup>

The Authority may periodically request information from the Hungarian branches of insurance intermediaries and ancillary insurance intermediaries established in other Member States, or from insurance intermediaries and ancillary insurance intermediaries established in other Member States in connection with their insurance mediation and/or ancillary insurance mediation activities performed in the form of cross-border services and the related documents in order to verify their compliance with the legislation provided for in Paragraph *t*) of Subsection (2) of Section 43 of the MNB Act.

#### Section 426<sup>4</sup>

(1) If an insurance intermediary or ancillary insurance intermediary established in another Member State that is engaged in operations in the territory of Hungary through a branch or in the form of cross-border services breaches the regulations in effect in Hungary on branches and cross-border services, or if the Authority detects any discrepancies in their operations - other than the case referred to in Subsection (6) -, the Authority shall inform the supervisory authority of the home Member State and may move for taking the measures it considers appropriate.

(2) Where, despite the measures taken by the supervisory authority of the home Member State or because those measures prove to be inadequate or are lacking, the infringement persists, or if the infringement is clearly detrimental to the interests of consumers on a large scale, or to the orderly functioning of insurance and reinsurance markets, the Authority may, after informing the supervisory authority of the home Member State, take the measures provided for in Paragraphs *a*)-*c*), *k*) and *m*) of Subsection (1) of Section 431, or may refer the matter to EIOPA and request its assistance in accordance with Article 19 of Regulation 1094/2010/EU.

(3) Where immediate action is necessary in order to protect the rights of consumers, the Authority shall have power to take the measures provided for in Paragraphs *a*)-*c*), *k*) and *m*) of Subsection (1) of Section 431 - Subsections (1) and (2) notwithstanding -, with the proviso that in the case of branches on condition that the equivalent measures of the home Member State are inadequate or lacking.

(4) If the Authority takes measures on the basis of Subsections (2) and (3), it shall inform the supervisory authority of the other Member State, EIOPA and the Commission concerning its resolution.

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1 Enacted by Section 202 of Act CXLV of 2017, effective as of 1 January 2018.

2 Established by Section 203 of Act CXLV of 2017, effective as of 23 February 2018.

3 Established by Section 203 of Act CXLV of 2017, effective as of 23 February 2018.

4 Established by Section 203 of Act CXLV of 2017, effective as of 23 February 2018.

(5) If the supervisory authority of the home Member State of an insurance intermediary or ancillary insurance intermediary has withdrawn the authorization of the insurance intermediary or ancillary insurance intermediary and has notified the Authority accordingly, the Authority shall take all measures it deems appropriate to prevent the insurance intermediary or ancillary insurance intermediary affected to continue the pursuit of further activities.

(6) In order to uphold the statutory requirements set out in Section 130/A, Section 131/A, Section 152, Section 153, Sections 158/A-158/C, Sections 166/A-166/F and Section 378, the Authority shall have supervisory power over the branches of insurance intermediaries and ancillary insurance intermediaries established in other Member States, and in the event of any infringement of those provisions to take the measures provided for in Paragraphs *a-c)*, *k)* and *m)* of Subsection (1) of Section 431.

#### *Section 427<sup>1</sup>*

(1) Upon prior notification of the Authority, the supervisory authority of another Member State where an insurance intermediary or ancillary insurance intermediary that is engaged in operations in Hungary through a branch or in the form of cross-border services is established shall be entitled to inspect the operations of such branch or the cross-border service in Hungary; the inspection may be carried out by the supervisory authority itself or by a person it has authorized.

(2) The Authority may take part in the inspection referred to in Subsection (1).

(3) When requested by the competent supervisory authority, the Authority shall have the right to inspect the operations on site of an insurance intermediary or ancillary insurance intermediary established in another Member State that are performed in Hungary through its branch or in the form of cross-border services, and to request information.

(4) If the head office of the insurance intermediary or ancillary insurance intermediary established in another Member State is situated in Hungary, the Authority may reach an agreement with the competent authority of the home Member State that the Authority shall function as the competent authority with regard to organizational requirements relating to the insurance distribution, information requirements and business rules - including additional requirements in relation to insurance-based investment products - and to sanctions and other measures to be applied in relation to insurance distribution activities.

#### *Section 427/A<sup>2</sup>*

(1) The Authority, if it finds that an insurance intermediary or ancillary insurance intermediary established in another Member State breaches any legislation provided for in Paragraph *t)* of Subsection (2) of Section 43 of the MNB Act in connection with their activities performed through a Hungarian branch or in the form of cross-border services, it may apply the measures provided for in Paragraphs *a)-c)*, *k)* and *m)* of Subsection (1) of Section 431.

(2)<sup>3</sup> Where:

*a)* the activity of an insurance intermediary or ancillary insurance intermediary established in another Member State carried out by its Hungarian branch, or its activity carried out in Hungary in the form of cross-border services is entirely or principally directed towards the territory of Hungary,

*b)* the sole purpose of setting up a registered office in another Member State by an insurance intermediary or ancillary insurance intermediary established in another Member State is avoiding the legal provisions applicable in Hungary, and

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1 Established by Section 203 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Section 203 of Act CXLV of 2017, effective as of 23 February 2018.

3 Established by Section 176 of Act CXXVI of 2018, effective as of 29 December 2018.



c) the activity of an insurance intermediary or ancillary insurance intermediary established in another Member State seriously endangers the interests of consumers, the Authority shall have power to take the measures referred to in Paragraphs *a)-c)*, *k)* and *m)* of Subsection (1) of Section 431 following notification of the competent authority of the other Member State, or may refer the matter to EIOPA and may request its assistance in accordance with Article 19 of Regulation 1094/2010/EU.

*186/A.<sup>1</sup> Rules relating to the supervision of insurance intermediaries and ancillary insurance intermediaries taking up activities in other Member States through a branch or in the form of cross-border services*

*Section 427/B<sup>2</sup>*

(1) Where the supervisory authority of another Member State notifies the Authority of any infringement by an insurance intermediary or ancillary insurance intermediary in connection with their activities performed through a branch or in the form of cross-border services of the provisions governing such activities, the Authority may apply the measures provided for in Paragraphs *a)-c)*, *k)* and *m)* of Subsection (1) of Section 431 vis-à-vis the insurance intermediary or ancillary insurance intermediary in order to eliminate the infringement.

(2) The Authority shall inform the competent supervisory authority of the other Member State concerning the measures it has taken under Subsection (1), at the time of taking those measures.

(3) If the supervisory authority of the other Member State takes action directly or takes additional measures in spite of the ones provided for in Subsection (1), the Authority may refer the matter to EIOPA, and may request its assistance in accordance with Article 19 of Regulation 1094/2010/EU.

*Section 427/C<sup>3</sup>*

(1) If the head office of the insurance intermediary or ancillary insurance intermediary established in Hungary is situated in another Member State, the Authority may reach an agreement with the competent authority of the home Member State that the competent authority of that other Member State shall function as the competent authority with regard to organizational requirements relating to insurance distribution, information requirements and business rules - including additional requirements in relation to insurance-based investment products - and to sanctions and other measures to be applied in relation to insurance distribution activities.

(2) The Authority shall without delay inform the insurance intermediary or ancillary insurance intermediary, as well as EIOPA concerning the agreement referred to in Subsection (1).

(3) In the other Member State the competent authority of that other Member State shall have supervisory power over the branches of insurance intermediaries and ancillary insurance intermediaries established in Hungary in order to uphold the provisions relating to insurance distribution, information requirements and business rules - including additional requirements in relation to insurance-based investment products - and to apply sanctions and other measures in the event if any infringement of these provisions.

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1 Enacted by Section 204 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Section 204 of Act CXLV of 2017, effective as of 23 February 2018.

3 Enacted by Section 204 of Act CXLV of 2017, effective as of 23 February 2018.

*187. Provisions relating to the supervision of the Hungarian branches of insurance intermediaries established in third countries*

*Section 428<sup>1</sup>*

Third-country insurance intermediaries that have a branch in Hungary shall send the certified Hungarian translation of their balance sheet and profit and loss account prepared according to the laws of their home countries and approved by an auditor to the Authority within thirty days of approval.

*Section 429*

(1) The Authority may take measures if the supervisory authority with jurisdiction over the registered office of a third-country insurance intermediary has taken measures against the given insurance intermediary or one of its branches operating in any country for a reason that affects the safe operation of the Hungarian branch.

(2) When requested by the competent supervisory authority, the Authority shall have the right to inspect the operations on site of the Hungarian branch of a third-country insurance intermediary and request information from it.

(3) The Authority, if there is reciprocity or under a valid supervisory agreement, may give its consent for the inspection of the Hungarian branch of a third-country insurance intermediary to be carried out by the supervisory authority of the country where it is established or by an auditor or other expert on its behalf.

*188. Records in connection with official training and examinations*

*Section 430<sup>2</sup>*

(1) In connection with training and examinations provided for in the Ministerial Decree on the Requirements Relating to Training Intermediaries of Financial Services, Insurance Intermediaries and Capital Market Sales Representatives, and on Official Examination, the Authority shall maintain a register on the training bodies and on training and examination bodies (hereinafter referred to collectively as "training bodies"), on persons applying to take the examination, on persons delegated by the training bodies as authorized signatories and for the issue and signature of certificates of training (hereinafter referred to as "signatory"), on trainers and on persons authorized to conduct official examination procedures in compliance with statutory requirements (hereinafter referred to as "examiner") for the purpose of exercising regulatory control and with a view to fulfilling its tasks related to processing applications for registration for the examinations and to the issue and replacement of certificates provided upon passing the examination, and on certificates issued in proof of having passed the official examination.

(2) The official examination of intermediaries prescribed for the pursuit of activities of intermediaries, and the related training must satisfy the conditions and requirements laid down in the Ministerial Decree on the Requirements Relating to Training Intermediaries of Financial Services, Insurance Intermediaries and Capital Market Sales Representatives, and on Official Examination.

(3) The register of training bodies shall contain:

- a) the name, registered office and mailing address of such bodies;
- b) the address where official training and official examination is conducted;
- c) the register number;

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<sup>1</sup> Amended by Point 10 of Section 484 of Act L of 2017.

<sup>2</sup> Established by Section 205 of Act LXIX of 2017, effective as of 1 July 2017.

- d) the institution code;
- e) the number of the decision on registration;
- f) the signatory's and trainer's name and personal code; and
- g) the date of registration.

(4) In its decision on registration the Authority shall assign a register number and an institution code for the applicant training and examination body.

(5)<sup>1</sup> If the Authority has adopted a decision for the removal of a training body from the register, it shall - in addition to the details provided for in Subsection (3) - inter alia keep records on the date of and the reason for the decision, the case number, the substance of the decision and the date when it became definitive.

(6) The registers on signatories, trainers, on persons applying to take the official examination and on examiners shall contain the following details of the persons registered:

- a) name and birth name;
- b) mother's name;
- c) date and place of birth;
- d) home address;
- e) personal code; and

f) in the case of examiners, register number, and the date of removal from the register, where applicable.

(7) In its decision on registration the Authority shall assign a personal code for the persons referred to in Subsection (6).

👉 (8)<sup>2</sup> If the certificate of official examination is lost or destroyed, a replacement may be requested, upon which the Authority shall issue a duplicate based on the data in its records, taking due account of the change of name in the meantime, where applicable. The application shall contain the same data as shown in the application for examination, in effect at the time of examination, provided for in the Ministerial Decree on the Requirements Relating to Training Intermediaries of Financial Services, Insurance Intermediaries and Capital Market Sales Representatives, and on Official Examination.

(9) With respect to the personal data included in the registers specified in this Section, the Authority shall function as the data controller.

(10) The Authority shall erase personal data from the register referred to in Subsection (1) after fifteen years from the date of the data subject's participation in official training or examination procedures, excluding the data required for the registration of the certificate issued in proof of having passed the official examination.

(11) The Authority shall be entitled to conduct examinations in compliance with statutory requirements applicable to examination bodies and official examinations.

(12) In official training and examination procedures the Authority shall have powers to inspect the persons and organizations carrying out or participating in official training and examination procedures.

## CHAPTER XXXIII

### ACTIONS RELATED TO INSURANCE INTERMEDIARIES AND ANCILLARY INSURANCE INTERMEDIARIES<sup>3</sup>

#### Section 431

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1 Amended by Paragraph d) of Section 206 of Act LXIX of 2017.

2 Amended by Paragraph c) of Section 70 of Act LXXVI of 2023.

3 Amended by Paragraph l) of Section 213 of Act CXLV of 2017.

(1) In order to enforce the obligations of insurance intermediaries and to safeguard the interests of clients, and in order to enforce compliance with the provisions of this Act and other relevant regulations on insurance mediation activities, and with the Authority's resolutions, the Authority shall have powers to take the following actions:

*a)* issue a warning for the implementation of the provisions specified in this Act, in other regulations relating to insurance mediation activities and in supervisory decision, and in justified cases issue a mandatory order to that effect, with the deadline prescribed;

*b)* impose a supervision fine;

*c)* prohibit the pursuit of any unauthorized multiple agency and brokering activity, as well as the activities of unregistered insurance intermediaries;

*d)* order to change the status of the insurance intermediary in the relevant register to inactive;

*e)* order the multiple agent or broker to increase their subscribed capital to the required minimum prescribed in this Act;

*f)* order the hearing of the general representative of a branch set up by an insurance intermediary established in a third country, or the person managing the insurance mediation activities;

*g)* move to recommend the dismissal of the person managing the insurance mediation activities or the general representative of a branch set up by an insurance intermediary established in a third country;

*h)* suspend the authorization of the multiple agent or broker;

*i)* withdraw the authorization of the multiple agent or broker;

*j)*<sup>1</sup> prohibit the transfer of the broker's contracts for insurance mediation services;

*k)*<sup>2</sup> order the cessation of the infringement or prohibit any further infringement;

*l)*<sup>3</sup> in the event of infringement of conduct of business rules relating to the distribution of insurance-based investment products by the managing director of an insurance intermediary company, ban such managing director for a specific period of time from discharging his functions;

*m)*<sup>4</sup> order the suspension or prohibition of marketing of certain insurance products or all insurance products through intermediaries;

*n)*<sup>5</sup> order the broker or multiple agent to remove its ancillary insurance intermediary [including the person referred to in Subsection (1) of Section 368] from its internal records;

*o)*<sup>6</sup> refuse the registration under Section 407 if the close link indicated in the registers provided for in Section 412 exists with a natural person or economic operator established in a third country where there are legal impediments liable to prevent the Authority from the effective exercise of its supervisory functions.

(1a)<sup>7</sup> In order to enforce the obligations of ancillary insurance intermediaries and to safeguard the interests of clients, and in order to enforce compliance with the provisions of this Act and other relevant regulations on insurance mediation activities, and with the Authority's resolutions, the Authority shall have power to take the measures provided for in Paragraphs *a)*, *b)*, *c)*, *d)*, *k)*, *m)*, *n)* and *o)* of Subsection (1) with respect to the ancillary insurance intermediary.

(2) In order to meet the requirements prescribed in this Act, in other regulations on the activities of insurance intermediaries, and in the Authority's resolutions, the Authority shall have powers to instruct insurance intermediaries to draw up an action plan for a specific timeframe, and to execute the action plan if approved.

1 Enacted by Subsection (1) of Section 205 of Act CXLV of 2017, effective as of 1 January 2018.

2 Enacted by Subsection (2) of Section 205 of Act CXLV of 2017, effective as of 23 February 2018.

3 Enacted by Subsection (2) of Section 205 of Act CXLV of 2017, effective as of 23 February 2018.

4 Enacted by Subsection (2) of Section 205 of Act CXLV of 2017, effective as of 23 February 2018.

5 Enacted by Subsection (2) of Section 205 of Act CXLV of 2017, effective as of 23 February 2018.

6 Enacted by Subsection (2) of Section 205 of Act CXLV of 2017, effective as of 23 February 2018.

7 Enacted by Subsection (3) of Section 205 of Act CXLV of 2017, effective as of 23 February 2018.

(3)<sup>1</sup> The provisions set out in Section 293/A shall apply also if the measures provided for in this Section are applied for any infringement of the statutory requirements on insurance distribution.

### *189. Supervisory fines*

#### *Section 432*

The Authority may impose a supervisory fine upon the multiple agent, broker, the person managing insurance mediation activities and on the general representative of an insurance intermediary established in a third country:

- a) for any infringement of the provisions of this Act or other regulations relating to insurance mediation activities;
- b) for failure to comply or for late compliance with the supervisory decision; or
- c) for failure to comply with any data disclosure requirement or hearing obligation ordered by the Authority within the prescribed deadline.

### *190. Removal of an insurance intermediary from the register*

#### *Section 433*

(1) The Authority may order to change the status of an insurance intermediary in the register of insurance intermediaries to inactive if:

- a) the insurance intermediary no longer satisfies either of the requirements prescribed for registration or either of the operating conditions, in the event of non-compliance with the order for remedying deficiencies within the deadline prescribed;
- b) based upon the findings of an inspection, the insurance intermediary is found to have seriously or repeatedly infringed the interests of the policyholders;
- c)<sup>2</sup> it finds that the insurance intermediary is engaged without authorization or in the absence of notification in the pursuit of any activity that can be performed by financial organizations only, and
  - ca) it is justified based on the gravity of the infringement, or
  - cb) it is deemed necessary for the protection of those persons for whom such activity was performed;
- d)<sup>3</sup> it finds that the natural person insurance intermediary has seriously or repeatedly infringed the relevant legislation.

(2) In addition to what is contained in Subsection (1), the Authority may decide to change the status of an insurance intermediary in the register of insurance intermediaries to inactive if the insurance intermediary is no longer authorized to pursue insurance mediation activities according to the laws of the country in which it is established.

(3)<sup>4</sup> The Authority shall notify its decision referred to in Subsection (1) to the Member State where the insurance intermediary is engaged in the pursuit of insurance mediation activities through a branch, in the form of permanent presence or cross-border services.

### *191. Suspension of the authorization of multiple agents and brokers*

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1 Enacted by Subsection (4) of Section 205 of Act CXLV of 2017, effective as of 23 February 2018.

2 Enacted by Section 291 of Act LXXXV of 2015, effective as of 2 January 2016.

3 Enacted by Section 206 of Act CXLV of 2017, effective as of 23 February 2018.

4 Enacted by Section 177 of Act CXXVI of 2018, effective as of 29 December 2018.

*Section 434*

(1) The Authority may suspend the operations of a multiple agent or broker in the event of failure to comply with laws and regulations governing their activities, however, there is reason to believe that the infringement can be eliminated during the suspension period.

(2) The period of suspension may not exceed six months.

*192. Withdrawal of the authorization of multiple agents and brokers**Section 435*

(1) The Authority may withdraw the authorization of a multiple agent or broker, and may decide to change the status of that multiple agent or broker in the register of insurance intermediaries to inactive if:

a) the multiple agent or broker no longer satisfies either of the requirements prescribed for registration or either of the operating conditions, in the event of non-compliance with the order for remedying deficiencies within the deadline prescribed;

b) the multiple agent's or broker's records or annual account is incorrect or inaccurate;

c) based upon the findings of an inspection, the multiple agent or broker is found to have seriously or repeatedly infringed the relevant laws and regulations, or found to have seriously or repeatedly infringed the interests of the policyholders;

d) the multiple agent or broker failed to take up operations within one year from the date of authorization, or discontinued to perform insurance mediation activities without authorization for more than six months;

e) the supervisory measures imposed by the Authority during the suspension of the multiple agent's or broker's activities did not eliminate the infringement for which they were issued;

f)<sup>1</sup> it finds that the multiple agent or broker is engaged without authorization or in the absence of notification in the pursuit of any activity that can be performed by financial organizations only, and

fa) it is justified based on the gravity of the infringement, or

fb) it is deemed necessary for the protection of those persons for whom such activity was performed.

(2)<sup>2</sup> In addition to what is contained in Subsection (1), the Authority may decide to withdraw the authorization of the branch of a third-country broker or multiple agent also if the broker or multiple agent is no longer authorized to pursue the activities of brokers or multiple agents according to the laws of the country in which it is established.

(3)<sup>3</sup> The Authority shall notify its decision referred to in Subsection (1) to the Member State where the broker or multiple agent is engaged in the pursuit of insurance mediation activities through a branch, in the form of permanent presence or cross-border services.

**CHAPTER XXXIV****SUPERVISION FEE PAYABLE BY INSURANCE INTERMEDIARIES**

1 Enacted by Section 292 of Act LXXXV of 2015, effective as of 2 January 2016.

2 Established by Section 178 of Act CXXVI of 2018, effective as of 29 December 2018.

3 Enacted by Section 178 of Act CXXVI of 2018, effective as of 29 December 2018.

*Section 436<sup>1</sup>*

(1) Multiple agents and brokers - including the Hungarian branches of third-country insurance intermediaries engaged in the pursuit of multiple agency and brokering activities - shall be required to pay a supervision fee to the Authority.

(2) The supervision fee shall comprise the minimum charge calculated according to Subsection (3), plus the variable-rate fee calculated according to Subsection (4).

(3) The minimum charge shall be seventy-five thousand forints, to be increased by seventy-five thousand forints for each fifty natural persons engaged in the activities of insurance intermediaries, employed or commissioned by the multiple agent or broker, or by the economic operator hired by the multiple agent or broker.

(4) The annual variable-rate fee shall be 0.25 per cent of the annual commission income.

**BOOK FOUR****CLOSING PROVISIONS**

## 193. Authorizations

*Section 437*

The Government is hereby authorized to decree:

*a)*<sup>2</sup>

*b)* the detailed provisions relating to the own funds and technical provisions of insurance companies and reinsurance companies;

*c)*<sup>3</sup> the detailed regulations relating to the protection of the IT system of insurance or reinsurance companies and the requirements relating to the maximum fee chargeable - exclusive of value added tax - for certification procedures;

*d)*<sup>4</sup>

*e)* the detailed rules relating to the minimum content requirements for the liability insurance policies of multiple agents and brokers;<sup>5</sup>

*f)*<sup>6</sup> the detailed rules relating to the contents and means of publication of solvency and financial condition reports connected to insurance and reinsurance activities;

*g)*<sup>7</sup> the detailed regulations regarding the complaints handling procedures of insurance companies, multiple agents and brokers, and their complaints handling policy;

*h)*<sup>8</sup> the detailed regulations relating to the supervision of insurance companies and reinsurance companies at the group level.

*Section 438*

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1 Established by Section 130 of Act CXVIII of 2019, effective as of 18 January 2020.

2 Shall not enter into force pursuant to Paragraph j) of Subsection (1) of Section 72 of Act CLXII of 2015.

3 Established by Section 46 of Act CLXXXII of 2016, effective as of 28 December 2016.

4 Shall not enter into force pursuant to Paragraph j) of Subsection (1) of Section 72 of Act CLXII of 2015.

5 See Government Decree 44/2015 (III. 12.) Korm.

6 Enters into force as under Section 58 of Act CLXII of 2015.

7 Enacted by Section 231 of Act LXVII of 2016, effective as of 1 January 2017.

8 Enacted by Section 231 of Act LXVII of 2016, effective as of 1 January 2017.

The minister in charge of the money, capital and insurance markets is hereby authorized to decree the detailed rules:

a) relating to the form and content requirements regarding the information to be supplied to clients in connection with unit-linked life insurance policies;

b) on the accounting of profit or loss of insurance companies from compulsory motor vehicle liability insurance policies;

c)<sup>1</sup>

d) for the segregation of insurance branches;

e)<sup>2</sup> for the official training and examination of insurance intermediaries, and the requirements for obtaining a certificate for the pursuit of insurance mediation activities whether as tied agents or independent insurance intermediaries, the amount of the examination fee, the terms of payment and the conditions for refund.

### Section 439

The Governor of the Magyar Nemzeti Bank (*National Bank of Hungary*) is hereby authorized, acting within its function as supervisory authority of the financial intermediary system, to decree:

a) the detailed regulations concerning the procedure for providing information to clients before the conclusion of a contract, during and upon the termination of the contractual relationship for handling client complaints, and the form in which to provide it;

b) the detailed regulations relating to the contents and the means of statistical information on cross-border activities, provided for in Subsections (1)-(2) of Section 287;

c)<sup>3</sup> the detailed rules for and contents of the internal data disclosure - under Paragraph a) of Subsection (9) of Section 269 - of insurance companies;

d) the detailed rules for the reports to be filed by multiple agents and brokers;

e)<sup>4</sup> the detailed provisions on the notification for the registration of insurance intermediaries, by the insurance company, multiple agent or broker, as provided for in Subsection (1) of Section 411 and Subsections (8) and (9) of Section 412;

f) the detailed rules on the reporting obligation relating to compulsory motor vehicle liability insurance products;

g)<sup>5</sup>

h) the detailed rules relating to the calculation and publication of the total costs charged;

i) the detailed rules on the highest permissible technical interest rate;

j) the detailed provisions concerning the supervisory reporting obligation under Paragraph a) of Subsection (2) of Section 269.

### 194. Entry into force

### Section 440

(1) This Act - with the exceptions set out in Subsections (2)-(4) - shall enter into force on the third day following its promulgation.

(2) Subsection (2) of Section 456 shall enter into force on 1 January 2015.

(3) Subsection (1) of Section 456 and Subsections (5)-(8) of Section 456 shall enter into force on 1 April 2015.

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1 Shall not enter into force pursuant to Paragraph k) of Subsection (1) of Section 72 of Act CLXII of 2015.

2 Amended by Point 32 of Subsection (1) of Section 175 of Act LIII of 2016.

3 Amended by Paragraph i) of Section 214 of Act CXLV of 2017.

4 Enters into force as amended under Point 26 of Section 67 of Act CLXII of 2015. Amended by Point 16 of Section 181 of Act CXXVI of 2018.

5 Repealed by Paragraph b) of Section 215 of Act CXLV of 2017, effective as of 23 February 2018.



(4) Sections 1-439, Sections 441-455, Sections 457-460, Subsections (1)-(4) and (6) of Section 461, Sections 462-465, Subsections (1)-(2) of Section 466 and Annexes 1-12 shall enter into force on 1 January 2016.

## 195. Transitional provisions

### Section 441

(1)<sup>1</sup> The deadline for the obligation of insurance and reinsurance companies of reporting to the Authority under Subsection (4) of Section 87 and Paragraphs *a*) and *c*) of Subsection (2) of Section 269, and for their obligation of notification under Section 108 shall be reduced by two weeks each year, over a period of four years starting 1 January 2016. The obligation of disclosure and publication on the financial year ending on or at the latest after 30 June 2016, at the latest on 31 December 2016, shall be satisfied not later than the last day of the twentieth week after 1 January 2017, and on the financial year ending on or after 30 June 2019, at the latest on 31 December 2019, it shall be satisfied not later than the last day of the fourteenth week after 1 January 2020.

(2)<sup>2</sup> The deadline for the obligation of insurance and reinsurance companies of reporting to the Authority under Paragraphs *b*) and *d*) of Subsection (2) of Section 269 shall be reduced by one week each year, over a period of four years starting 1 January 2016. The deadline for the obligation of disclosure on or after 1 January 2016, at the latest after the quarter ending before 1 January 2017, shall be not later than the last day of the eighth week, on or after 1 January 2019, at the latest after the quarter ending before 1 January 2020, not later than the last day of the fifth week.

(3)<sup>3</sup>

### Section 442

(1) In lieu of the provisions of this Act, the provisions of Act LX of 2003 on Insurance Institutions and the Insurance Business in effect on 31 December 2015 shall apply to those insurance companies which do not offer new insurance or reinsurance contracts after 1 January 2016 and exclusively administer their existing portfolio in order to terminate their activity, where:

*a*) the insurance company has satisfied the Authority that it will terminate its activity before 1 January 2019; or

*b*) the insurance company is subject to reorganization measures.

(2) Insurance or reinsurance companies falling under:

*a*) Paragraph *a*) of Subsection (1), shall be subject to the provisions of this Act,

*aa*) from 1 January 2019, or

*ab*) from the time determined by the Authority, that is earlier than the date under Subparagraph *aa*) where the Authority is not satisfied with the progress - set by the Authority - that has been made towards terminating the company's activity;

*b*) Paragraph *b*) of Subsection (1), shall be subject to the provisions of this Act,

*ba*) from 1 January 2021, or

*bb*) from the time determined by the Authority, that is earlier than the date under Subparagraph *ba*) where the Authority is not satisfied with the progress - set by the Authority - that has been made towards terminating the company's activity.

(3) Insurance and reinsurance companies shall be subject to the transitional measures set out in Subsections (1)-(2) only if the insurance company:

*a*) is not part of a group, or if it is, all companies that are part of the group cease to conduct new insurance or reinsurance contracts; and

1 Enters into force as under Section 59 of Act CLXII of 2015.

2 Enters into force as under Section 59 of Act CLXII of 2015.

3 Repealed by Point 3 of Section 233 of Act LXVII of 2016, effective as of 1 January 2017.

b) shall provide the Authority with an annual report setting out what progress has been made in terminating its activity; and

c) notifies the Authority that it applies the transitional measures.

(4) Subsections (1)-(2) notwithstanding, the insurance company may decide to operate in accordance with the provisions of this Act.

(5)<sup>1</sup> The Authority shall draw up a list of the insurance and reinsurance companies affected by the transitional measures referred to in Subsections (1), (2) and (6) and communicate that list to the supervisory authorities of all the other Member States.

(6)<sup>2</sup> If an insurance or reinsurance company has sufficient funds on 31 December 2015 to cover the minimum capital requirement provided for by the relevant provisions of Act LX of 2003 on Insurance Institutions and the Insurance Business or Act CLIX of 2007 on Reinsurance in effect on 31 December 2015, or the minimum guarantee fund if this is greater, but it fails to comply by 31 December 2016 with the requirements laid down by Sections 99 and 100, and in connection with these Sections the requirements set out in the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies, the Authority shall require the insurance or reinsurance companies concerned to take the necessary measures to achieve the establishment of the level of eligible own funds covering the solvency capital requirement or the reduction of its risk profile to ensure compliance with the solvency capital requirement by 31 December 2017.

(7)<sup>3</sup> In connection with the transitional measure referred to in Subsection (6), the insurance or reinsurance company concerned shall, every three months, submit a progress report to the Authority setting out the measures taken and the progress made to establish the level of eligible own funds covering the solvency capital requirement or to reduce the risk profile.

(8)<sup>4</sup> The transitional measure referred to in Subsection (6) shall be withdrawn where that progress report shows that there was no significant progress in achieving the re-establishment of the level of eligible own funds covering the solvency capital requirement or the reduction of the risk profile to ensure compliance with the solvency capital requirement between the date of the observation of non-compliance and the date of the submission of the progress report. After the transitional measure is withdrawn, the provisions of Section 309 shall apply.

(9)<sup>5</sup> If an insurance or reinsurance company has sufficient funds on 31 December 2015 to cover the minimum capital requirement provided for by the relevant provisions of Act LX of 2003 on Insurance Institutions and the Insurance Business or Act CLIX of 2007 on Reinsurance in effect on 31 December 2015, but it fails to comply by 31 December 2016 with the requirements laid down by Sections 101 and 102, and in connection with these Sections the requirements set out in the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies relating to minimum capital requirement, the Authority shall withdraw the authorization of that insurance or reinsurance company.

(10)<sup>6</sup> With respect to insurance and reinsurance companies investing in tradable securities or other financial instruments based on repackaged loans that were issued before 1 January 2011, the requirements set out in the Commission regulation adopted within the meaning of Article 135(2) of the Solvency II Directive shall apply only in circumstances where new underlying exposures were added or substituted after 31 December 2014.

#### Section 442/A<sup>7</sup>

1 Enters into force as under Subsection (1) of Section 60 of Act CLXII of 2015.

2 Enters into force as under Subsection (2) of Section 60 of Act CLXII of 2015.

3 Enters into force as under Subsection (2) of Section 60 of Act CLXII of 2015.

4 Enters into force as under Subsection (2) of Section 60 of Act CLXII of 2015.

5 Enters into force as under Subsection (2) of Section 60 of Act CLXII of 2015.

6 Enters into force as under Subsection (2) of Section 60 of Act CLXII of 2015.

7 Established by Section 207 of Act CXLV of 2017, effective as of 21 November 2017.

The Authority shall be allowed, for a period ending no later than 31 December 2017, to require an insurance or reinsurance company to apply the limits referred to in Subsection (1) of Section 102 exclusively to the company's solvency capital requirement calculated in accordance with the standard formula.

#### *Section 443*

(1) Except as specified in Subsections (2)-(3), the authorizations granted before the time of entry into force of this Act, under Part A) of Schedule No. 1 of Act LX of 2003 on Insurance Institutions and the Insurance Business in effect on 31 December 2015, for certain classes of insurance and risks, in terms of classification according to classes and risks shall be identical to the classes and risks established in Annex 1.

(2) The authorizations granted before the time of entry into force of this Act, under Point 19 of Part A) of Schedule No. 1 of Act LX of 2003 on Insurance Institutions and the Insurance Business in effect on 31 December 2015, for "Funeral assistance" shall be construed as the license granted for the risk entitled "other forms of financial loss" under Paragraph *k*) of Point 16 of Part A) of Annex 1.

(3) The authorizations granted before the time of entry into force of this Act, under Paragraph *b*) of Point 6 of Part A) of Schedule No. 1 of Act LX of 2003 on Insurance Institutions and the Insurance Business in effect on 31 December 2015, for the risk entitled "damage to or loss of sea vessels" shall be construed as the license granted jointly for the risk entitled "lake vessels" and "sea-going vessels" under Paragraphs *b*) and *c*) of Point 6 of Part A) of Annex 6.

(4) The authorizations granted before the time of entry into force of this Act, for classes of life insurance under Points I-III of Schedule No. 2 of Act LX of 2003 on Insurance Institutions and the Insurance Business in effect on 31 December 2015, shall be construed as the license granted for classes of life insurance under Points 1-3 of Annex 2.

(5) The authorizations granted before the time of entry into force of this Act, for the "management of group pension funds" branch within the branch entitled "Individual and group retirement plans" under Point IV of Schedule No. 2 of Act LX of 2003 on Insurance Institutions and the Insurance Business in effect on 31 December 2015, shall be construed as the license granted for the class of life insurance under Point 5 of Annex 2.

(6) The authorizations granted before the time of entry into force of this Act, for the class entitled "Annuity insurance auxiliary to social security pension" under Point V of Schedule No. 2 of Act LX of 2003 on Insurance Institutions and the Insurance Business in effect on 31 December 2015, shall be construed as the license granted for the class of life insurance under Point 1 of Annex 2.

(7) The Authority shall, within the framework of ex officio proceedings, issue a new activity license in accordance with Subsections (1)-(6), relating to the authorizations affected by Subsections (1)-(6), by 1 June 2016, and shall withdraw the previous authorizations at the same time.

(8) The Authority shall issue the new activity license referred to in Subsection (7) with the parts of the previous activity licenses which are unaffected by the provisions under Subsections (1)-(6) carried over without any changes.

(9) The Authority shall conduct the proceedings under Subsection (7) without the taking of evidence.

(10) The proceedings referred to in this Section shall be exempt from any administrative service fee.

#### *Section 444*

(1) Section 8 shall not apply to any limited insurance company where on 31 December 2015 a chief executive officer exercises the rights of the management body functioning as an executive officer, or the management body is functioning under the one-tier system, or if the company in question was not required to have a supervisory board.

(2) The exemption referred to in Subsection (1) may be applied in so far as the articles of association of the limited insurance company is amended.

### *Section 445*

(1) The mutual associations engaged before 1 January 1996 in insurance and other activities alike may continue to provide insurance services only under a separate accounting system.

(2)<sup>1</sup> The rules on taxation and social insurance contributions regarding membership contributions paid on behalf of members in consideration for the life insurance services specified in Paragraph *a*) of Subsection (1) of Section 10 of Act XCVI of 1993 on Voluntary Mutual Insurance Funds (hereinafter referred to as "VMIFA"), including employers' contributions and sponsors' donations, and provided by mutual associations established before the entry into force of the VMIFA shall be the same as the rules relating to pension funds following the entry into force of this Act, provided the provisions of Sections 46-49 of the VMIFA in effect on 31 December 2015 are duly applied to such services as evidenced by the Authority.

(3)<sup>2</sup>

(4) If the members of the mutual association referred to in Subsection (2), to whom services are supplied under this provision, have decided to establish a voluntary mutual insurance fund in accordance with the relevant provisions of the VMIFA, after the fund has been authorized, the supreme body of the mutual association shall have authority to decide on the transfer of the portfolios of contracts in connection with these members and on the termination of activities related to such services.

(5)<sup>3</sup> If the supreme body of the mutual association approved the portfolio transfer under Subsection (4), the balance from the individual accounts of the founding members of the voluntary mutual insurance fund shall be transferred within thirty days of the time of the supreme body's decision to the individual accounts of the same members opened at the voluntary mutual insurance fund, while the part of the assets covering the mathematical reserves and the provision for bonuses and rebates of the mutual association in the proportion due to the founding members of the voluntary mutual insurance fund shall be transferred to the voluntary mutual insurance fund within thirty days of the time of the supreme body's decision.

(6)<sup>4</sup> Where a member of the mutual association joins the voluntary mutual insurance fund after it was established according to Subsection (4), the balance from the individual accounts of this member shall be transferred within thirty days upon the member's request made to the mutual association to the individual and of the same member opened at the voluntary mutual insurance fund, with the part of the assets covering the mathematical reserves and the provision for bonuses and rebates in the proportion due to the member according to Subsection (5) transferred at the same time as well.

(7) The assets transferred according to Subsections (5) and (6) shall be exempt from taxes and duties.

### *Section 445/A<sup>5</sup>*

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1 Amended by Point 33 of Subsection (1) of Section 175 of Act LIII of 2016.

2 Repealed by Paragraph h) of Section 176 of Act LIII of 2016, effective as of 1 July 2016.

3 Established by Section 172 of Act LIII of 2016, effective as of 1 July 2016.

4 Established by Section 172 of Act LIII of 2016, effective as of 1 July 2016.

5 Enacted by Section 173 of Act LIII of 2016, effective as of 1 July 2016.

(1) Members of a mutual association provided for in Subsection (2) of Section 445 - holding insurance policies provided for in Subsection (2) of Section 445 - may transfer to a pension fund specified in Paragraph *a*) of Subsection (1) of Section 10 of the VMIFA.

(2) In the case of transfer provided for in Subsection (1), the insurance contract of the transferring member shall cease to exist when accepted by the pension fund.

(3) In the case of transfer provided for in Subsection (1), the balance available on the transferring member's individual account, and his share of the provision for bonuses and rebates shall be credited to the account opened by the pension fund specified in Paragraph *a*) of Subsection (1) of Section 10 of the VMIFA in accordance with the provisions of the VMIFA pertaining to transfers between funds.

(4) In the case of transfer provided for in Subsection (1), the transferring member shall be treated by the receiving fund as if transferred from another pension fund.

#### *Section 445/B<sup>1</sup>*

(1) As regards the mutual associations provided for in Subsection (2) of Section 445, the Authority may take the measures defined in Section 167 with the derogations set out in this Section and in Section 445/C, with the proviso that taking the measure is not conditional upon the withdrawal of the activity license.

(2) If the Authority has taken the measure provided for in Subsection (1) hereof, it may also take action for having the contract portfolio featuring the services provided for in Subsection (2) of Section 445 transferred to the pension fund specified in Paragraph *a*) of Subsection (1) of Section 10 of the VMIFA, while being transferred to the insurance companies provided for in Subsection (3) of Section 167.

(3) With a view to reaching an agreement for the transfer of the contract portfolio featuring the services provided for in Subsection (2) of Section 445, the supervisory commissioner shall - in addition to what is contained in Subsection (3) of Section 167 - issue a notice for taking over the portfolio and contact the pension funds specified in Paragraph *a*) of Subsection (1) of Section 10 of the VMIFA as well.

(4) The notice referred to in Subsection (3) shall indicate the number of contracts included in the portfolio to be transferred, and the size of the assets to be transferred in the portfolio.

(5) Pension funds specified in Paragraph *a*) of Subsection (1) of Section 10 of the VMIFA shall have until the time limit specified in the invitation - not exceeding two months from the time of publication of the invitation - to make an offer for taking over the insurance portfolio in question, and shall remain bound by that offer until the supervisory commissioner's decision referred to in Subsection (6) is made.

(6) The supervisory commissioner shall bring a decision in accordance with Subsection (6) of Section 167, with the proviso that in the process of adopting such decision he shall take into consideration the offers made by the pension funds specified in Paragraph *a*) of Subsection (1) of Section 10 of the VMIFA. In the process of adopting such decision the provisions set out in Subsection (9) of Section 167 shall also apply.

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1 Enacted by Section 173 of Act LIII of 2016, effective as of 1 July 2016.

(7) If, based on the decision brought under Subsection (6), the contract portfolio featuring the services provided for in Subsection (2) of Section 445 is transferred to a pension fund specified in Paragraph *a*) of Subsection (1) of Section 10 of the VMIFA, the balance from the individual accounts of the members affected by the portfolio, and/or their share from the provision for bonuses and rebates, shall be transferred within thirty days of the time of the supervisory commissioner's decision to the individual accounts of the same members opened at the voluntary mutual insurance fund, while the part of the assets covering the mathematical reserves and the provision for bonuses and rebates of the mutual association in the proportion due to the members affected by the transfer shall be transferred to the pension fund specified in Paragraph *a*) of Subsection (1) of Section 10 of the VMIFA within thirty days of the time of the supervisory commissioner's decision.

(8) The assets transferred according to Subsection (7) shall be exempt from taxes and duties.

(9) Members affected by the contract portfolio transfer referred to in Subsection (7) shall be treated as if transferred from another fund.

(10) The insurance contracts of members affected by the contract portfolio transfer and their membership in the mutual association shall cease to exist on the day of transfer.

#### *Section 445/C<sup>1</sup>*

(1) If, based on the decision adopted under Subsection (6) of Section 445/B, the contract portfolio featuring the services provided for in Subsection (2) of Section 445 is transferred to an insurance company provided for in Subsection (3) of Section 167, the provisions on taxation and social insurance contributions regarding payments made on behalf of the contracting party for pension benefits provided under the insurance contracts thus transferred, including employers' contributions and sponsors donations provided for the life insurance premium, shall be the same as the provisions applicable to pension funds, provided that the provisions of Sections 46-49 of the VMIFA, in effect on 31 December 2015, are applied to the insurance company's services *mutatis mutandis*, and this is verified by the Authority.

(2) In the portfolio transfer under Subsection (1), the policy terms and conditions may be altered only with respect to the technical rate of interest, the guaranteed return provided for in the contract and the refund of bonus within thirty days after the portfolio transfer provided for in Subsection (1), on condition that any change in the technical rate of interest may be carried out using the highest technical rate of interest fixed in the decree on the highest technical rate of interest. The receiving insurance company shall notify all contracting parties concerned of the change within fifteen days after the effective date of the change.

(3) The contracting parties may transfer to the pension fund specified in Paragraph *a*) of Subsection (1) of Section 10 of the VMIFA, by means of a written statement addressed to the receiving insurance company, within thirty days from the date of receipt of notice provided for in Subsection (7) of Section 118 on the portfolio transfer provided for in Subsection (1) hereof, or the notice provided for in Subsection (2) hereof on the change, or may decide to cancel the contract in accordance with Subsection (8) of Section 118. The provisions of Section 445/A shall apply to transfers to pension funds.

(4) The assets transferred according to Subsection (1) shall be exempt from taxes and duties.

#### *Section 446*

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1 Enacted by Section 173 of Act LIII of 2016, effective as of 1 July 2016.

(1) Any insurance company that is authorized to conduct both life insurance and non-life insurance business on 1 January 2016 shall be entitled to conduct both classes simultaneously.

(2) The activities of the insurance company referred to in Subsection (1) to conduct both life insurance and non-life insurance business shall be organized in such a way that the life insurance activity is distinct from non-life insurance activity.

(3) The respective interests of life and non-life policyholders shall not be prejudiced and, in particular, profits from life insurance shall benefit life policy holders as if the life insurance company only pursued the activity of life insurance.

(4) The rules for the separation of classes of insurance under Subsections (1)-(3) shall be decreed by the minister in charge of the money, capital and insurance markets.

(5)<sup>1</sup> The insurance companies referred to in Subsection (1) shall - in accordance with the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies - calculate:

a) a minimum capital requirement with respect to their life insurance or reinsurance activity, calculated as if the company concerned only pursued that activity, on the basis of the separate accounts referred to in Subsection (9) (hereinafter referred to as "notional life minimum capital requirement");

b) a minimum capital requirement with respect to their non-life insurance or reinsurance activity, calculated as if the company concerned only pursued that activity, on the basis of the separate accounts referred to in Subsection (9) (hereinafter referred to as "notional non-life minimum capital requirement").

(6) The insurance companies referred to in Subsection (1) shall cover the following by an equivalent amount of eligible basic own-fund items:

a) the notional life minimum capital requirement, in respect of the life activity;

b) the notional non-life minimum capital requirement, in respect of the non-life activity;

where the own-fund item used to cover minimum capital requirement for one of those activities shall not be used to cover the minimum capital requirement for the other activity.

(7) As long as the minimum financial obligations referred to in Subsection (6) are fulfilled, the company may use to cover the solvency capital requirement the explicit eligible own-fund items which are still available for one or the other activity, provided that the Authority is informed thereof, and that the amount of own-fund item transferred and the reason for the transfer are indicated.

(8) If the amount of eligible basic own-fund items with respect to one of the activities is insufficient to cover the minimum financial obligations referred to in Subsection (6) hereof, the Authority shall apply to the deficient activity the measures provided for in Subsection (1) of Section 291, and may authorize the action set out in Paragraph 1) of Subsection (1) of Section 237, whatever the results in the other activity.

(9) In accordance with the obligation of reporting to the Authority, insurance companies shall draw up accounts so as to show the sources of the results for life and non-life insurance separately. All income, in particular premiums, payments by reinsurance companies and investment income, and expenditure, in particular insurance settlements, additions to technical provisions, reinsurance premiums and operating expenses in respect of insurance business, shall be broken down according to origin. Items common to both activities shall be entered in the accounts in accordance with methods of apportionment to be accepted by the Authority.

Insurance companies shall, on the basis of the accounts, prepare a statement in which the eligible basic own-fund items covering each notional minimum capital requirement are clearly identified.

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1 Enters into force as amended under Point 27 of Section 67 of Act CLXII of 2015.

(10) As regards the insurance companies provided for in Part Six, the own funds of such insurance companies shall be considered to comply with the solvency margin requirement provided for in Sections 215-218 and in the Government Decree on the Own Funds and Technical Provisions of Insurance Companies and Reinsurance Companies.

(11)<sup>1</sup> The insurance company referred to in Subsection (1) hereof shall maintain the asset registers referred to in Section 109 and in Section 212 separately for each class of insurance.

#### *Section 447*

(1) The provisions of Section 134 of this Act, as established by Act CLI of 2012 on the Amendments of Financial Regulations, and Section 30/A of the ETOA shall apply to insurance contracts concluded between 21 December 2007 and 21 December 2012 if the contract can be amended subject to the collective and express prior consent of the insurance company and the policyholder, and if it pertains to the amount of the premium payable by the policyholders or the amount of settlement payments made to policyholders, and the last statement required for the aforesaid amendment was made after 21 December 2012.

(2) The provisions of Section 134 of this Act, as established by Act CLI of 2012 on the Amendments of Financial Regulations, and Section 30/A of the ETOA shall not apply to amendments of the insurance contracts concluded between 21 December 2007 and 21 December 2012 in the following cases:

a) changing the extent of coverage, such as where the personal and material scope of the contract is extended to cover other persons or assets, where a new class of insurance is added to the contract, or if the personal and material scope of the contract is terminated with respect to certain insured persons or assets, or certain insurance risks, and in cases where amendment is prompted by changes which are to be notified and communicated by the client and which in fact had been notified and communicated, provided that other parts of the contract unaffected by these amendments remain unaltered;

b) amending the investment part of the premium payable for life insurance policies determined unrelated to sex, and the payments provided under such policies, without altering the risk premium of the life insurance policy and the related services, such as, in particular altering the investment part of the premium payable for unit-linked life insurance policies and the payments provided under such policies;

c) altering the premium charged and the payments payable, where the contract provides for the possibility of doing so on the basis of factors unrelated to sex.

(3) The provisions of Section 134 of this Act, as established by Act CLI of 2012 on the Amendments of Financial Regulations, and Section 30/A of the ETOA shall not apply to insurance contracts concluded before 21 December 2007.

#### *Section 448*

(1) Activities for the provision of annuity benefits carried out commercially may be pursued in accordance with the provisions of this Act.

(2) Subsection (1) hereof shall not apply to contracts concluded within the framework of service activities carried out by organizations or persons having been engaged in the pursuit of activities for the provision of annuity benefits carried out commercially before 1 January 2015 by means other than the insurance activities provided for in Point 11 of Subsection (1) of Section 4.

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1 Enters into force as under Section 62 of Act CLXII of 2015.



(3)<sup>1</sup> As regards the insurance companies engaged in the pursuit of activities for the provision of annuity benefits carried out commercially, where consideration for the commitment is provided in the form of transfer of a real estate property, the provisions of Section 121 shall not apply after 1 January 2016; their contracts shall be governed by the provisions of the Civil Code on life annuity contracts.

(4) As regards the insurance companies engaged in the pursuit of activities for the provision of annuity benefits carried out commercially after 1 January 2016, where consideration for the commitment is provided in the form of transfer of a real estate property:

a) by way of derogation from Subsection (1) of Section 57, the services of a senior actuary may be procured - in the case of insurance companies engaged exclusively in the pursuit of activities for the provision of annuity benefits carried out commercially - by means of personal service contract as well;

b) any asset that is mortgaged or whose disposition is restricted may be included in the cover for technical provisions of accountancy for contracts entered into in the pursuit of activities for the provision of annuity benefits carried out commercially;

c) regarding the assets which may be included in the cover for technical provisions of accountancy, the gross technical provisions for contracts entered into in the pursuit of activities for the provision of annuity benefits carried out commercially may be fully covered with real estate properties.

#### *Section 449*

(1) Section 149 of this Act shall also apply to existing insurance contracts, provided that the policyholders affected by such contracts did not object within fifteen days of the time of receipt of notice sent by the insurance company.

(2) Sending the objection shall not be construed as grounds for termination of the contract.

#### *Section 450*

(1) Senior risk management officers and compliance officers shall meet the requirements set out in Paragraph *b*) of Subsection (1) of Section 65 and in Paragraph *b*) of Subsection (1) of Section 67 for the first time as of 1 January 2018.

(2) Compliance with the requirements set out in this Act for persons managing the insurance mediation activities is required only if the person managing the insurance mediation activities is employed after the time of this Act entering into force.

(3) For a period of ten years after the time of this Act entering into force:

a) experience working as an actuary may be accepted in place of the professional experience referred to in Paragraph *b*) of Subsection (1) of Section 57;

b) experience working as an insurance consultant may be accepted in place of the professional experience referred to in Paragraph *c*) of Subsection (1) of Section 59;

c) experience working as an insurance consultant may be accepted in place of the professional experience referred to in Paragraph *c*) of Subsection (1) of Section 61;

d) experience working as an insurance consultant may be accepted in place of the professional experience referred to in Subparagraph *ba*) of Paragraph *b*) of Subsection (2) of Section 63;

e) experience working in risk management may be accepted in place of the professional experience referred to in Subparagraph *ba*) of Paragraph *b*) of Subsection (1) of Section 65;

f) experience working in the field of insurance in the legal or economics department or working as an insurance consultant may be accepted in place of the professional experience referred to in Subparagraph *ba*) of Paragraph *b*) of Subsection (1) of Section 67;

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1 Enters into force as amended under Point 28 of Section 67 of Act CLXII of 2015.

if obtained at a trade organization of consultants or at an insurance consultant, provided that all other requirement concerning the duration of professional experience referred to in Paragraphs *a)-f)* and the conclusion of practical experience are satisfied.

(4) For a period of ten years after the time of this Act entering into force, the following may be accepted in place of the professional experience referred to in Subparagraph *ba)* of Paragraph *b)* of Subsection (3) of Section 389 and in Subparagraph *ba)* of Paragraph *b)* of Subsection (3) of Section 400;

*a)* experience working as an insurance consultant for at least three years; or

*b)* experience working at the trade organization of consultants or at an insurance consultant for at least five years in the field of insurance under contract of employment or any other work-related legal relationship;

provided that all other requirements concerning the conclusion of practical experience are satisfied.

(5) For a period of ten years after the time of this Act entering into force, the following may be accepted in place of the professional experience referred to in Subparagraph *cb)* of Paragraph *c)* of Subsection (2) of Section 395;

*a)* experience working as an insurance consultant for at least five years;

*b)* experience working at the trade organization of consultants as an insurance executive for at least three years; or

*c)* experience working at the trade organization of consultants or at an insurance consultant for at least five years in the field of insurance under contract of employment or any other work-related legal relationship;

provided that all other requirements concerning the conclusion of practical experience are satisfied.

(6)<sup>1</sup> The Authority shall be entitled to process the data shown in the register specified in Subsection (2) of Section 51 of, and in Points 1.C) and 1.D) of Schedule No. 5 to Act LX of 2003 on Insurance Institutions and the Insurance Business in effect on 31 December 2015 relating to natural persons or economic operators engaged in the activities of insurance consultants, by 1 January 2026 for the purpose of carrying out the measures referred to in Subsections (3)-(5) and for compliance with requests made by authorities and other bodies.

#### *Section 451*

Section 129 shall not apply to compulsory insurance cover for fire fighters as a member of a state, municipal, voluntary or private fire brigade, or a fire company or rescue squad in terms of life insurance and accident insurance policies.

#### *Section 452*

(1) The interests of policyholders shall not be prejudiced relative to profits from life insurance in respect of life insurance policies concluded before 1 January 2016 where policyholders are entitled to such profits.

(2) As regards the policies referred to in Subsection (1), at least eighty per cent of the surplus yield from the investment of mathematical provisions comprising a part of technical provisions of accountancy shall be distributed among the policyholders in a percentage that may not be lower than what is prescribed in the insurance contract.

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1 Enters into force as under Section 63 of Act CLXII of 2015.

(3)<sup>1</sup> In respect of the life insurance policies concluded before 1 January 1996, or before 31 December 2000 under a product permit granted before 1 January 1996, insurance companies shall refund at least fifty per cent of the investment profits of the mathematical provisions shown under technical provisions of accountancy of the life insurance branch, instead of what is described in Subsection (2), provided they have not entered into any other commitment. The refunds shall not be less favorable than that which is stipulated in the contract. The refund shall also contain revenue consistent with the technical rate of interest.

(4)<sup>2</sup> Insurance companies shall administer and record the distribution of extra profit referred to in Subsection (2) and the refund made under Subsection (3) separately.

#### *Section 452/A<sup>3</sup>*

(1) The provisions of Section 377 shall also apply to agreements for the payment of commission existing on 1 January 2016.

(2) Insurance and reinsurance companies shall comply with the provisions of Section 104/A, as established by Act CLXII of 2015 on the Amendment of Capital Market and Insurance Regulations, after 1 January 2017.

(3) The provisions of Section 122/A, as established by Act CLXII of 2015 on the Amendment of Capital Market and Insurance Regulations, shall also apply to insurance contracts existing on 1 January 2016.

(4) The provisions of Subsections (3) and (4) of Section 133, as established by Act CLXII of 2015 on the Amendment of Capital Market and Insurance Regulations, shall apply to insurance contracts concluded on or after 1 January 2016.

(5) The provisions of Subsection (2a) of Section 138, as established by Act CLXII of 2015 on the Amendment of Capital Market and Insurance Regulations, shall also apply to insurance contracts existing on 1 January 2016, if the contracting party did not contest the disclosure of data within fifteen days from the time of receipt of notice thereof.

#### *Section 452/B<sup>4</sup>*

The provisions of Subsections (4) and (5) of Section 110, as established by Act CLXII of 2015 on the Amendment of Capital Market and Insurance Regulations, shall apply to life insurance policies concluded on or after 1 January 2017.

#### *Section 452/C<sup>5</sup>*

(1) Subsections (1), (2) and (7) of Section 70, and Sections 116 and 117, as established by Act XLIV of 2016 on the Amendment of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors and Other Financial Regulations, shall apply after 1 January 2017.

(2) Subsections (3) and (4) of Section 70, repealed by Act XLIV of 2016 on the Amendment of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors and Other Financial Regulations shall remain to apply to statutory audit activities performed relating to the financial year beginning before 17 June 2016.

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1 Enters into force as under Section 64 of Act CLXII of 2015.  
2 Enters into force as under Section 64 of Act CLXII of 2015.  
3 Enters into force as under Section 65 of Act CLXII of 2015.  
4 Enters into force as under Section 65 of Act CLXII of 2015.  
5 Enacted by Section 72 of Act XLIV of 2016, effective as of 4 June 2016.

*Section 452/D<sup>1</sup>*

(1) The provisions of Paragraph *f*) of Subsection (1) and Subsection (1a) of Section 107, as established by Act LIII of 2016 on the Amendment of Certain Acts Relating to the Financial Intermediary System, shall apply to insurance contracts concluded on or after 1 January 2017.

(2) The provisions of Section 124/A, as established by Act LIII of 2016 on the Amendment of Certain Acts Relating to the Financial Intermediary System, shall apply to insurance contracts concluded on or after 1 January 2017.

*Section 452/E<sup>2</sup>*

The provisions of Subsection (2) of Section 377, as established by Act LIII of 2016 on the Amendment of Certain Acts Relating to the Financial Intermediary System, shall apply to insurance contracts concluded on or after 1 January 2018.

*Section 452/F<sup>3</sup>*

The provisions of Subsection (2) of Section 377, as established by Act LIII of 2016 on the Amendment of Certain Acts Relating to the Financial Intermediary System, shall apply to insurance contracts concluded on or after 1 January 2019.

*Section 452/G<sup>4</sup>*

Multiple agents and brokers are required to comply with the reporting obligation provided for in Subsection (2) of Section 393 and Subsection (2) of Section 406, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation, for 2018 for the first time.

*Section 452/H<sup>5</sup>*

(1) Subsection (9) of Section 138 and Section 147/A, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation, shall also apply to contracts outstanding at the time of entry into force of Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation.

(2) The insurance company controlled by a credit institution shall inform its clients with contracts outstanding at the time of entry into force of Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation concerning the opportunity to make a statement under Subsection (2) of Section 147/A at least thirty days prior to the data transfer under Section 164/B of the CIFE. After informing the clients with contracts outstanding, information shall be posted in this respect on its website in a manner capable of raising awareness. Data transfer under Section 164/B of the CIFE may be started past the thirtieth day following the date of publication on the website.

*Section 452/I<sup>6</sup>*

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1 Enacted by Subsection (1) of Section 174 of Act LIII of 2016, effective as of 1 January 2017.  
2 Enacted by Subsection (2) of Section 174 of Act LIII of 2016, effective as of 1 January 2018.  
3 Enacted by Subsection (3) of Section 174 of Act LIII of 2016, effective as of 1 January 2019.  
4 Enacted by Section 208 of Act CXLV of 2017, effective as of 21 November 2017.  
5 Enacted by Section 208 of Act CXLV of 2017, effective as of 21 November 2017.  
6 Enacted by Section 209 of Act CXLV of 2017, effective as of 23 February 2018.

(1) Insurance intermediaries and reinsurance intermediaries shown in the Authority's register on 22 February 2018 are required to comply with the obligation laid down in Subsection (2) of Section 376 of this Act, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation, pertaining to 2018 at the latest by 23 February 2019.

(2) Contributors and managers responsible for distribution operations of insurance and reinsurance companies, who are engaged under contract with an insurance or reinsurance company on 22 February 2018 are required to comply with the provisions of Section 134/A, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation, for the first time by 31 December 2018, excluding the case under Subsection (6) of Section 134/A.

(3) Managers responsible for the distribution operations of insurance intermediaries, who are engaged under contract with an insurance intermediary on 22 February 2018 are required to comply with the provisions of Section 376, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation, for the first time by 31 December 2018, excluding the case under Subsection (5) of Section 376.

(4)<sup>1</sup> Persons responsible for the distribution operations of ancillary insurance intermediaries, who are engaged under contract with an ancillary insurance intermediary on 22 February 2018 are required to comply with the provisions of Section 376, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation, for the first time by 31 December 2018, excluding the case under Subsection (5) of Section 376.

#### *Section 452/J<sup>2</sup>*

(1) The provisions of Subsection (2) of Section 131/A, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation, on the process for the approval of each insurance product internally shall be applied to products first sold after 23 February 2018.

(2) The provisions of Subsection (3) of Section 131/A, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation, on the review of insurance products shall be applied to products already sold by 23 February 2018, with the proviso that the target market and its needs and potential risks are to be identified by 23 February 2019 with respect to these products, and the product distribution strategy shall be specified, and after that the review process shall be carried out on a regular basis, but at least annually.

(3) The provisions of Subsections (4) and (5) of Section 131/A, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation, on the obligation of provision of and obtaining information shall be applied having regard to Subsections (1) and (2).

#### *Section 452/K<sup>3</sup>*

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<sup>1</sup> Amended by Point 17 of Section 181 of Act CXXVI of 2018.

<sup>2</sup> Enacted by Section 209 of Act CXLV of 2017, effective as of 23 February 2018.

<sup>3</sup> Enacted by Section 209 of Act CXLV of 2017, effective as of 23 February 2018.

(1) Natural persons falling within the scope of Paragraph *d*) of Subsection (1) of Section 370 - in effect on 22 February 2018 - are required to comply with Subsection (2) of Section 370, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation, by 23 February 2019 at the latest.

(2) The involvement of persons referred to in Paragraph *b*) of Point 34 of Subsection (1) of Section 4 of this Act, in effect on 22 February 2018, in the work preparatory to the conclusion of insurance contracts they have mediated on or before 22 February 2018 under direct or indirect legal relationship with an insurance company, until such relationship exists, shall not be construed insurance mediation activities, ancillary insurance mediation activities, including in particular the execution of information, reporting and other administrative tasks, and participation in forwarding money to the insurance company and in claims handling.

(3) The person referred to in Subsection (2) shall be allowed to perform the activity under Subsection (2) in accordance with the provisions of this Act in effect on 22 February 2018 applicable to the person referred to in Paragraph *b*) of Point 34 of Subsection (1) of Section 4 and to his activities.

#### *Section 452/L<sup>1</sup>*

The provisions of Sections 375/B, 377 and 377/A, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation, shall apply to agreements for the payment of commission existing on or after 31 December 2018, and to agreements between brokers and insurance companies.

### 196. Compliance with the Acquis

#### *Section 453*

This Act serves the purpose of compliance with:

1. Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council;

2. Council Directive 91/371/EEC of 20 June 1991 on the implementation of the Agreement between the European Economic Community and the Swiss Confederation concerning direct insurance other than life insurance;

3. Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation;

4. Council Directive 2004/113/EC of 13 December 2004 implementing the principle of equal treatment between men and women in the access to and supply of goods and services;

5. Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority);

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1 Enacted by Section 209 of Act CXLV of 2017, effective as of 23 February 2018.

6. Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate;

7. Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II);

8. Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No. 1060/2009, (EU) No. 1094/2010 and (EU) No. 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority);

9.<sup>1</sup> Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation;

10.<sup>2</sup> Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts;

11.<sup>3</sup> Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution.

12.<sup>4</sup> Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision;

13.<sup>5</sup> Directive (EU) 2019/2177 of the European Parliament and of the Council of 18 December 2019 amending Directive 2009/138/EC on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money-laundering or terrorist financing.

#### *Section 453/A<sup>6</sup>*

This Act contains provisions for the implementation of:

1. Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitization, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No. 1060/2009 and (EU) No. 648/2012;

2. Commission Delegated Regulation (EU) 2019/1935 of 13 May 2019 amending Directive (EU) 2016/97 of the European Parliament and of the Council with regard to regulatory technical standards adapting the base euro amounts for professional indemnity insurance and for financial capacity of insurance and reinsurance intermediaries.

#### 197. Amendments and repeals

#### *Sections 454-455<sup>7</sup>*

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1 Enacted by Section 23 of Act CXCV of 2015, effective as of 2 January 2016.

2 Enacted by Section 73 of Act XLIV of 2016, effective as of 4 June 2016.

3 Enacted by Section 210 of Act CXLV of 2017, effective as of 23 February 2018.

4 Enacted by Section 179 of Act CXXXVI of 2018, effective as of 13 January 2019.

5 Enacted by Section 191 of Act CX of 2020, effective as of 26 June 2021.

6 Established by Section 192 of Act CX of 2020, effective as of 26 December 2020.

7 Repealed under Section 12 of Act CXXX of 2010, effective as of 2 January 2016.

*Section 456*

- (1)<sup>1</sup>
- (2)<sup>2</sup>
- (3)-(4)<sup>3</sup>
- (5)-(8)<sup>4</sup>

*Sections 457-460<sup>5</sup>**Section 461*

- (1)-(4)<sup>6</sup>
- (5)<sup>7</sup>
- (6)<sup>8</sup>

*Sections 462-465<sup>9</sup>**Section 466*

- (1)-(2)<sup>10</sup>
- (3)<sup>11</sup>

*Section 467*

Section 35 of Act LXXXVI of 2013 on the Amendment of Insurance Regulations shall not enter into force.

*Annex 1 to Act LXXXVIII of 2014****Part A)******Classification of non-life insurance classes according to risk***

1. Accident (including industrial injury and occupational diseases):
  - a) fixed pecuniary benefits;
  - b) benefits in the nature of indemnity;
  - c) combinations of the two (fixed pecuniary benefits and benefits in the nature of indemnity);
  - d) injury to passengers.
2. Sickness

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1 Repealed by Section 12 of Act CXXX of 2010, effective as of 2 April 2015.  
2 Repealed by Section 12 of Act CXXX of 2010, effective as of 2 January 2015.  
3 Repealed by Section 12 of Act CXXX of 2010, effective as of 26 December 2014.  
4 Repealed by Section 12 of Act CXXX of 2010, effective as of 2 April 2015.  
5 Repealed under Section 12 of Act CXXX of 2010, effective as of 2 January 2016.  
6 Repealed under Section 12 of Act CXXX of 2010, effective as of 2 January 2016.  
7 Repealed by Section 12 of Act CXXX of 2010, effective as of 26 December 2014.  
8 Repealed under Section 12 of Act CXXX of 2010, effective as of 2 January 2016.  
9 Repealed under Section 12 of Act CXXX of 2010, effective as of 2 January 2016.  
10 Repealed under Section 12 of Act CXXX of 2010, effective as of 2 January 2016.  
11 Repealed by Section 12 of Act CXXX of 2010, effective as of 26 December 2014.



a) fixed pecuniary benefits;  
b) benefits in the nature of indemnity;  
c) combinations of the two (fixed pecuniary benefits and benefits in the nature of indemnity).

3. Land vehicles (other than railway rolling stock)

All damage to or loss of:

- a) land motor vehicles;  
b) land vehicles other than motor vehicles.

4. Railway rolling stock

All damage to or loss of railway rolling stock.

5. Aircraft

All damage to or loss of aircraft.

6. Ships (sea, lake and river and canal vessels)

All damage to or loss of:

- a) river and canal vessels;  
b) lake vessels;  
c) sea vessels.

7. Goods in transit (including merchandise, baggage, and all other goods)

All damage to or loss of goods in transit or baggage, irrespective of the form of transport.

8. Fire and natural forces

All damage to or loss of property (other than property included in classes 3, 4, 5, 6 and 7) due to:

- a) fire;  
b) explosion;  
c) storm;  
d) natural forces other than storm;  
e) nuclear energy;  
f) land subsidence and earthquake.

9. Other damage to property

All damage to or loss of property (other than property included in classes 3, 4, 5, 6 and 7) due to hail or frost, and any event such as theft, other than that included in class 8.

10. Motor vehicle liability

All liability arising out of the use of motor vehicles operating on the land (including carrier's liability and compulsory motor vehicle liability insurance).

11. Aircraft liability

All liability arising out of the use of aircraft (including carrier's liability).

12. Liability for ships (sea, lake and river and canal vessels)

All liability arising out of the use of ships, vessels or boats on the sea, lakes, rivers or canals (including carrier's liability).

13. General liability

All liability other than those referred to in classes 10, 11 and 12.

14. Credit:

- a) insolvency (general);
- b) export credit;
- c) installment credit;
- d) mortgages;
- e) agricultural credit.

15. Suretyship and guarantee:
- a) suretyship, guarantee (direct);
  - b) suretyship, guarantee (indirect).

16. Miscellaneous financial loss:
- a) employment risks;
  - b) insufficiency of income (general);
  - c) bad weather;
  - d) loss of benefits;
  - e) continuing general expenses;
  - f) unforeseen trading expenses;
  - g) loss of market value;
  - h) loss of rent or revenue;
  - i) other indirect trading loss (not previously specified);
  - j) other non-trading financial loss;
  - k) other forms of financial loss.

17. Legal expenses  
Legal expenses and costs of litigation.

18. Assistance

### ***Part B)***

#### ***Description of authorizations granted for more than one class of insurance***

The following names shall be given to authorizations which simultaneously cover the following classes:

- a) classes 1 and 2: "Accident and Health Insurance" or "Health Insurance";
- b) classes 1d), 3, 7 and 10: "Motor Vehicle Insurance";
- c) classes 1d), 4, 6, 7 and 12: "Marine Transport Insurance";
- d) classes 1a), 5, 7 and 11: "Aviation Insurance";
- e) classes 8 and 9: "Insurance against Fire and other Damage to Property";
- f) classes 10, 11, 12 and 13: "Liability Insurance";
- g) classes 14 and 15: "Credit and Suretyship Insurance".

A name for any other combination of classes must be approved by the Authority. The Authority shall notify the European Commission of the names it has approved.

#### **Annex 2 to Act LXXXVIII of 2014**

#### ***Classification of life insurance classes according to risk***

##### **1. The following life insurance activities excluding those referred to in Points 2 and 3:**

- a) life insurance which comprises insurance on survival to a stipulated term only, insurance on death only, insurance on survival to a stipulated term or on earlier death, life insurance with return of premiums;
- b) annuities;

c) supplementary insurance underwritten in addition to life insurance, in particular, insurance against personal injury including incapacity for employment, insurance against death resulting from an accident and insurance against disability resulting from an accident or sickness.

## **2. Marriage insurance, birth insurance**

**3. The insurance referred to in Paragraphs a) and b) of Point 1, which are linked to investment funds.**

**4. Capital redemption operations (insurance savings arrangements),** capital redemption operations not containing any risk element based on actuarial calculation whereby, in return for single or periodic payments agreed in advance, the insurance company undertakes commitments of specified duration and amount.

## **5. Management of group pension funds:**

a) management of group pension funds, comprising the management of investments, and in particular the assets representing the reserves of organizations that effect payments on death or survival or in the event of discontinuance or curtailment of activity;

b) the operations referred to in Paragraph a) where they are accompanied by insurance covering either conservation of capital or payment of a minimum interest.

**6. Transactions relating to the length of human life which are prescribed by or provided for in social insurance legislation, in so far as they are effected or managed by life insurance companies at their own risk in accordance with the relevant laws.**

### Annex 3 to Act LXXXVIII of 2014

## ***Insurance Product Plan***

Each insurance product must be accompanied by a product plan that is to contain the following:

### **1. Terms and conditions of the insurance contract**

### **2. Premium calculation**

The premium calculation shall contain the following clearly defined in sufficient detail:

- 2.1. For products covering risks under the life insurance branch
  - 2.1.1. mortality tables,
  - 2.1.2. formula for premium calculation, scales of premiums,
  - 2.1.3. formula for the calculation of life insurance premium reserves,
  - 2.1.4. formula for the calculation of premium-free reduction,
  - 2.1.5. formula for the calculation of the cash surrender value,
  - 2.1.6. calculation of the yield on investment, calculation of surplus yield and the measure and manner of refunding.
- 2.2. For products covering risks under the non-life insurance branch
  - 2.2.1. loss and risk ratios or other statistics,
  - 2.2.2. description of the premium calculation principle,
  - 2.2.3. description of the components and planned parameters of premium calculation, including scales of premiums.
- 2.3. Inflation escalation, where applicable.

The premium calculation referred to in Point 2.2 shall illustrate the data included in those gathered for the subsequent control of calculation.

### **3. Auxiliary data**

Auxiliary data shall contain the following estimated figures for the next three years, broken down per year:

- 3.1. number of policies planned for a portfolio and the premium of the portfolio,
- 3.2. expected costs of the product, including costs of solicitation, claim settlement and administration costs,
- 3.3. estimated premium income,
- 3.4. estimated settlement payments for an insured event.

#### Annex 4 to Act LXXXVIII of 2014

### ***Information to clients***

A) The written information provided with insurance contracts shall inter alia contain the following:

1. the period and duration of coverage;
2. starting date of coverage;
3. description of the insured event;
4. terms of payment of premium and the manner by which to make changes in the premium, if allowed for the basic coverage and for ancillary risks, including, where appropriate, an indication of the insurance intermediary's entitlement to receive payment of premium from the client, and if so, any restrictions, as well as any entitlement to be involved in making payments to the client;
5. description of the insurance company's services and the time of performance, the options available;
6. termination clauses;
7. conditions for cancellation;
8. conditions under which the insurance company is released from liability, exclusions;
9. mode and rate of inflation escalation;
10. extent and manner of refunding surplus yield;
- 11.1 the information referred to in Subsection (1) of Section 159, facilities for lodging complaints with the Authority or with the arbitration bodies (showing the registered address, phone number and internet address, and the mailing address), according to the nature of the complaint, and information about the judicial process;
12. in respect of the branches of third-county insurance companies, the country where legal disputes are settled, description of the material and procedural provisions and the language of such proceedings;
- 13.2 list of the organizations to which the insurance company is entitled to disclose client data pursuant to Sections 135-142 and Sections 147-151;
- 14.3 an indication of the governing law under which the contract is concluded, and as regards the governing law in respect of non-life insurance contracts to be concluded with natural persons, where it can be decided by the parties, an indication of the law recommended by the insurance company as the governing law;
15. for mutual associations, description of the cases serving grounds for calling up additional contributions, and/or the possibility of any cutback in services;
16. for mutual associations covering risks in connection with compulsory motor vehicle liability insurance, description of the cases serving as grounds for calling up additional contributions;

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1 Amended by Point 34 of Subsection (1) of Section 175 of Act LIII of 2016.

2 Amended by Point 35 of Subsection (1) of Section 175 of Act LIII of 2016.

3 Enters into force as amended under Point 29 of Section 67 of Act CLXII of 2015.

17. tax laws relating to life insurance contracts;
18. for life insurance policies, the amount to be retained by the insurance company from the premium paid in by the policyholder if the contract is cancelled by the policyholder within thirty days;
19. whether the insurance company offers any capital or yield guarantees on life insurance policies;
20. the detailed rules concerning the suspension and separation of asset funds as under Section 127, in the case of unit-linked life insurance policies.

*B) Minimum contents of the product information of life insurance policies:*

1. Brief description of the reasons, as determined by an interview, for offering the type of policy for the particular
  - a) services,
  - b) term, and
  - c) amount.
2. An indication in the manner illustrated under Point 3 of the following applicable for the duration of the proposed life insurance policy - meaning the end of the term fixed for insurance policies under classes 1 and 2 of the life insurance branch or for at least twenty years if the term is not specified, or the end of the term fixed for insurance policies under class 3 of the life insurance branch or a maximum of five years - provided the policy features the option of surrender or premium-free reduction, for each year on the first day of the year insured:
  - a) cash surrender value,
  - b) discount value.
3. The following provisions shall be observed when determining the cash surrender value and the discount value:
  - 3.1. The policyholder shall be advised that the data shown in the manner expressed below are provided for information purposes only as they are, to some extent, based on assumptions.
  - 3.2. In the case of unit-linked life insurance policies, the client shall be advised that the value of the underlying units may show a gain or loss. Furthermore, the client must also be notified as to who is to bear the risks from changes in the value of these units determined in accordance with the provisions of the insurance contract pertaining to capital guarantees or capital and yield guarantees.
  - 3.3. In the case of stipulated-premium insurance contracts, at the beginning of the year the status before the premium is paid shall be taken into consideration.
  - 3.4. The contract shall be concluded under the assumption that the key figures of the policy (premium, sum insured, various deductions etc.) remain constant during the term of the contract unless otherwise prescribed in the contract.
  - 3.5. In addition to what is contained in Point 3.4, unit-linked life insurance policies shall be contracted under the assumption that the value of the underlying units remain unchanged. Where the insurance company offers capital guarantees or capital and yield guarantees, the cash surrender value shall be determined accordingly.
  - 3.6. In the case of insurance policies under classes 1 and 2 of the life insurance branch with no technical rate of interest, the provisions of Point 3.5 shall apply as appropriate.

4.1 With the exception of term life insurance contracts, the insurance company provides figures in the product information of life insurance policies relating to the amount of potential payments above and beyond the contractually agreed payments, the insurance company shall provide the policyholder with a specimen calculation whereby the potential maturity payment is set out applying the basis for the premium calculation using three different rates of interest. The insurance company shall inform the policyholder in a clear and comprehensible manner that the specimen calculation is only a model of computation based on notional assumptions, and that the policyholder shall not derive any contractual claims from the specimen calculation.

Annex 5 to Act LXXXVIII of 2014

***Definition and Calculation of Indirect Holdings***

1. The ratio of an indirect holding shall be determined by multiplying the ownership share in an intermediary company by the ownership or voting share held by such intermediary company in the original company.

2. An indirect holding through an intermediary company shall not be taken into account for the above-specified calculation if the direct and indirect share in the intermediary company on the aggregate does not reach the extent of a qualifying interest.

3. All of the ownership shares and voting rights controlled by the close relatives of natural persons shall be added up.

4. Voting rights shall be taken into account the same as ownership shares.

Annex 6 to Act LXXXVIII of 2014

***Grouping of assets covering technical provisions of accountancy***

Assets covering technical provisions of accountancy:

**A) investments**

- a) debt securities, bonds and other money and capital market instruments,
- b) loans,
- c) shares and other variable-yield securities and participations,
- d) units in companies for collective investment in transferable securities and other investment funds,
- e) land, buildings and immovable-property rights;

**B) debts and claims**

- f) debts owed by reinsurance companies, including the reinsurance companies' shares of technical provisions created on risks covered by reinsurance,
- g) deposits with and debts owed by ceding companies,
- h) debts owed by policyholders and intermediaries arising out of direct and reinsurance operations in so far as they have been outstanding for not more than three months,
- i) life insurance policy loans,
- j) tax recoveries,
- k) claims against minimum guarantee funds;

**C) others**

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1 Enacted by Section 211, Point 1 of Annex 3 of Act CXLV of 2017, effective as of 21 November 2017.

- l) tangible fixed assets, other than land and buildings, valued on the basis of prudent amortization,
- m) funds held on payment account and cash on hand, deposits with credit institutions and other bodies authorized to receive deposits,
- n) accrued interest and rent,
- o) deferred acquisition costs;

**D) other claims**

- p) amounts recoverable from special purpose vehicles.

Annex 7 to Act LXXXVIII of 2014<sup>1</sup>.

***Minimum professional knowledge and competence requirements***

**I. Non-life risks classified under Part A) of Annex 1:**

- a) minimum necessary knowledge of terms and conditions of policies offered, including ancillary risks if covered by such policies;
- b) minimum necessary knowledge of applicable laws governing the distribution of insurance products, such as consumer protection law, relevant tax law and relevant social and labor law;
- c) minimum necessary knowledge of claims handling;
- d) minimum necessary knowledge of complaints handling;
- e) minimum necessary knowledge of assessing client needs;
- f) minimum necessary knowledge of the insurance market;
- g) minimum necessary knowledge of business ethics standards; and
- h) minimum necessary financial competency.

**II. Insurance-based investment products:**

- a) minimum necessary knowledge of insurance-based investment products, including terms and conditions and net premiums and, where applicable, guaranteed and non-guaranteed benefits;
- b) minimum necessary knowledge of advantages and disadvantages of different investment options for policyholders;
- c) minimum necessary knowledge of financial risks borne by policyholders;
- d) minimum necessary knowledge of policies covering life risks and other savings products;
- e) minimum necessary knowledge of organization and benefits guaranteed by the pension system;
- f) minimum necessary knowledge of applicable laws governing the distribution of insurance products, such as consumer protection law and relevant tax law;
- g) minimum necessary knowledge of the insurance market and of the saving products market;
- h) minimum necessary knowledge of complaints handling;
- i) minimum necessary knowledge of assessing client needs;
- j) conflicts of interest management;
- k) minimum necessary knowledge of business ethics standards; and
- l) minimum necessary financial competency.

**III. Life risks classified in Annex II:**

- a) minimum necessary knowledge of policies including terms, conditions, the guaranteed benefits and, where applicable, ancillary risks;
- b) minimum necessary knowledge of organization and benefits guaranteed by the Hungarian pension system;
- c) knowledge of applicable insurance contract law, consumer protection law, data protection law, anti-money laundering law and, where applicable, relevant tax law and relevant social and labor law;

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<sup>1</sup> Established by Section 212, Annex 4 of Act CXLV of 2017, effective as of 23 February 2018.

- d) minimum necessary knowledge of the insurance and other relevant financial services markets;
- e) minimum necessary knowledge of complaints handling;
- f) minimum necessary knowledge of assessing consumer needs;
- g) conflicts of interest management;
- h) minimum necessary knowledge of business ethics standards; and
- i) minimum necessary financial competency.

Annex 8 to Act LXXXVIII of 2014

***Matching rules***

The type of currency in which the insurance company is to satisfy its liabilities shall be specified in accordance with the foreign exchange regulations in force and with the following provisions:

1. If coverage is expressed in a contract in a specific currency, then, for the purposes of compliance with foreign exchange regulations, the insurance company's liabilities shall be deemed to be in that currency.
2. The assets of technical provisions of accountancy shall be placed in receivables expressed in the type of currency defined in Point 1 above.
3. Where non-life insurance is concerned, if the cover provided by a contract is not expressly stipulated in any currency, the insurance company's commitment shall be in the national currency of the country where the risk occurs.
4. Where non-life insurance is concerned, Point 2 notwithstanding, if it appears likely that a claim will be paid in the currency of the premium and not in the currency of the country in which the risk is situated, the insurance company may choose the currency in which the premium is expressed in compliance with the rules of matching assets. The insurance company shall be required to notify the Authority when derogating from the main rule under Point 2, including justification.
5. In the case of non-life insurance policies, where an insured event has been reported to an insurance company and is payable in a specified currency other than the currency resulting from application of the above procedures, the insurance company's commitments shall be considered to be payable in that currency and in particular the currency in which the compensation to be paid by the insurance company has been determined by a court judgment or by agreement between the insurance company and the policyholder.
6. Where a non-life insurance claim is assessed in a currency that is known to the insurance company in advance but is different from the currency resulting from application of the above procedures, the insurance company may consider its commitments to be payable in that currency in compliance with the rules of matching assets. The insurance company shall be required to notify the Authority of any derogation from this rule and the reasons therefor.
7. The insurance company may be granted exemption from the obligation provided for in Point 2, if this obligation would compel the insurance company to keep less than 7 per cent of its assets in other currencies in the currency in question.

Annex 9 to Act LXXXVIII of 2014

**1. The natural persons engaged in agency shall have:**

- a) "insurance intermediary" professional qualification;
- b) "tied insurance intermediary" professional qualification;
- c) "independent insurance intermediary" professional qualification; or
- d) "insurance consultant" professional qualification.



**2. Any agent who is engaged solely in the mediation of insurance products for the “Legal expenses” class under Point 17 of Part A) of Annex 1 shall have:**

- a) “insurance intermediary” professional qualification;
- b) “legal expenses insurance intermediary” professional qualification;
- c) “tied insurance intermediary” professional qualification;
- d) “independent insurance intermediary” professional qualification; or
- e) “insurance consultant” professional qualification.

**3. Any natural person engaged in multiple agency and brokering activities shall have:**

- a) “insurance intermediary” professional qualification;
- b) “tied insurance intermediary” professional qualification; or
- c) “insurance consultant” professional qualification.

Annex 10 to Act LXXXVIII of 2014

***Rules and principles for the assessment, documentation and disclosure of earnings achieved in a portfolio managed by a body providing portfolio management services***

1. All data and information, which are necessary to document the results achieved in a portfolio and to perform the prescribed calculations must be compiled and retained on file.

2. All source information for portfolio assessment and the methods employed must be made available to the investors.

3. All portfolios must be evaluated at least monthly.

4. Portfolios must be evaluated on a market value basis.

5. For the evaluation of interest-bearing bonds and all other instruments on which any interest is paid, the amount of interest accrued for a given period must be taken into consideration.

6. Yields on cash and other similar instruments must be included in the gross earnings.

7. Yields shall be computed on each business day.

8. Unless otherwise provided for by law, the yield of portfolios shall be calculated on a capital-weighted monthly average or time-weighted daily average basis.

9. Return must be assessed on the whole, including any and all capital gains and profits, whether realized or not.

10. The earnings of the various periods must be shown in a geometrical sequence.

11. The return achieved in periods of less than one year cannot be computed on an annual basis.

12. Every yield figure must have an indication as to which period it pertains.

13. The costs and expenses of trading shall not be included when rating the efficiency of management.

14. Non-refundable withholding tax on dividends, interest income and capital gains must be deducted from the yield amount. Withholding tax that can be refunded shall be taken into consideration.

15. It shall be indicated whether the yield calculated is net or gross, namely, whether it includes the fees paid by the investor to the portfolio manager or to its affiliated company.

16. Any fact and additional information that may be of importance for making an informed judgment of a portfolio's performance, or to offer an explanation for the yield calculated shall be indicated.

17. In terms of efficiency rating, any diversification of capital or use of derivative instruments, and the size thereof, shall be demonstrated in a yield calculation so as to permit the identification of risks.

18. Where a reference index has been made part of a portfolio in line with the underlying investment policy, the yield of such reference index is to be shown for the same period or periods to which the yield of a portfolio pertains using the same yield calculation methods.

19. When rating the efficiency of an investment fund manager or portfolio manager, the yield figures shall cover at least the past five years or, if less than five years, the full period of their activities, broken down by calendar year.

#### Annex 11 to Act LXXXVIII of 2014

### **Part A)**

#### **Felszámolási eljárások Liquidation proceedings**

Decision to open winding-up proceedings in respect of (name of the insurance undertaking)

Határozat a/az (biztosító megnevezése) ellen indított felszámolási eljárás megindításáról

A közzététel a biztosítási és viszontbiztosítási üzleti tevékenység megkezdéséről és gyakorlásáról (Szolvencia II) szóló 2009. november 25-i 2009/138/EK európai parlamenti és a tanácsi irányelv 280. cikkével összhangban készült.

Publication made in accordance with Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

Biztosító Insurance company	(In English and Hungarian: Company name, including concise name, head office)
A határozathozatal és a jogerőre emelkedés dátuma, a döntés joghatása Date, entry into force and nature of the decision	(In English and Hungarian: Date, entry into force and nature of the decision)
Illetékes hatóságok Competent authorities	(In English and Hungarian: Name and address of court)
Felügyeleti hatóság Supervisory authority	(In English and Hungarian: Name and address of supervisory authority)
Kijelölt felszámoló Liquidator appointed	(In English and Hungarian: Liquidator's name, address and contact information)
Alkalmazandó jog Applicable law	[In English and Hungarian: Name of country, applicable law(s)]

### **Part B)**

In connection with the information referred to in Subsection (2) of Section 191 the following titles shall be used:

(bg) «Покана за предявяванена вземане. Спазете срока»

(es) «Convocatoria para la presentación de créditos. Plazos aplicables»

(cs) «Výzva k přihlášení pohledávky. Závazné lhůty»

(da) «Opfordring til anmeldelse af fordringer. Vær opmærksom på fristerne»

(de) «Aufforderung zur Anmeldung einer Forderung. Etwaige Fristen beachten!»

(et) «Nõude esitamise kutse. Järgitavad tähtajad»

(el) «Προσκληση για αναγγελι'α απαιτήσεως. Προσοχή στις προθεσμίες»

(en) «Invitation to lodge a claim. Time limits to be observed»

(fr) «Invitation à produire une créance. Délais à respecter»  
 (it) «Invito all'insinuazione di un credito. Termine da osservare»  
 (lv) «Uzaicinājums iesniegt prasījumu. Termins, kas jāievēro»  
 (It) «Kvietimas pateikti reikalavimą. Privalomieji terminai»  
 (hu) «Felhívás követelés bejelentésére. Betartandó határidők»  
 (mt) «Stedina għal preżentazzjoni ta' talba. Limiti taż-żmien li għandhom jiġu osservati»  
 (nl) «Oproep tot indiening van schuldvorderingen. In acht te nemen termijnen»  
 (pl) «Wezwanie do zgłoszenia wierzytelności. Przestrzegać terminów»  
 (pt) «Aviso de reclamação de créditos. Prazos legais a observar»  
 (ro) «Invitație de a prezenta o creanță; termene ce trebuie respectate»  
 (sk) «Výzva na prihlásenie pohľadávky. Je potrebné dodržať stanovené termíny»  
 (sl) «Poziv k prijavi terjatve. Roki, ki jih je treba upoštevati!»  
 (fi) «Kehotus saatavan ilmoittamiseen. Noudatettavat määräajat»  
 (sv) «Anmodan att anmäla fordran. Tidsfrister att iaktta»

### **Part C)<sup>1</sup>**

#### **Reorganizációs intézkedések Reorganization measures**

Határozat a/az (biztosító megnevezése) ellen indított reorganizációs intézkedésről  
 Decision to open winding-up proceedings in respect of (name of the insurance company)

A közzététel a biztosítási és viszontbiztosítási üzleti tevékenység megkezdéséről és gyakorlásáról (Szolvencia II) szóló 2009. november 25-i 2009/138/EK európai parlamenti és a tanácsi irányelv 271. cikkével összhangban készült.

Publication made in accordance with Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

Biztosító Insurance company	(In English and Hungarian: Company name, including concise name, head office)
A határozathozatal és a jogerőre emelkedés dátuma, a döntés joghatása Date, entry into force and nature of the decision	(In English and Hungarian: Date, entry into force and nature of the decision)
Illetékes hatóságok Competent authorities	(In English and Hungarian: Name and address of supervisory authority)
Felügyeleti hatóság Supervisory authority	(In English and Hungarian: Name and address of supervisory authority)
Kijelölt felszámoló Liquidator appointed	(In English and Hungarian: Liquidator's name, address and contact information)
Alkalmazandó jog Applicable law	[In English and Hungarian: Name of country, applicable law(s)]

#### Annex 12 to Act LXXXVIII of 2014

#### **Investment policy contents list**

1. Purpose of the asset fund, description of market developments targeted, for which it was created

<sup>1</sup> Enters into force as under Section 66, Annex 2 of Act CLXII of 2015.

2. contract is concluded, and as regards the governing law in respect of non-life insurance contracts to be concluded with natural persons, where it can be decided by the parties, an indication of the law recommended by the insurance company as the governing law;<sup>1</sup> Minimum duration of placement, during which the expected return of portfolios of similar composition can be realized, as shown by historical data available

3. Prospective clientele targeted

4. Currency of the asset fund, geographical and sectoral exposure of investments

5. Description of main classes of assets reflecting generally accepted methods, in which the asset fund is allowed to invest

6. The types of securities in certain asset categories authorized for the asset fund in question

7. Description of relevant basis risks, from market risks such as in particular interest-rate risk, securities risk, foreign exchange risk, real estate risk, commodities risk and liquidity risk, from non-market risks such as in particular country risk, political risk, credit risk and counterparty credit risk exposures and concentration risk

8. Asset fund risk category based on the sequence set up by the insurance company

9. Strategic asset allocation of the asset fund (targeted share of specific investment assets), minimum and maximum derogations permitted, as well as the conditions under which such derogations are allowed

10. Targeted earning index (reference index), generally meaning a capital market index reflecting the most typical composition of the asset fund, or a combination of several capital market indices

11. Investment policy of the collective investment trust in which the asset fund proposes to invest at least fifty per cent or more of its assets

12. In the case of absolute return (total return) asset fund, details of how the portfolio management strategy contributes to increase the return on the investment

13. List of transactions that the asset fund manager is authorized to conclude

14. An indication whether securities lending and/or borrowing is permitted for the asset fund portfolio, including the conclusion of repurchase agreements, and as to whether transaction are allowed for hedging purposes or for the purpose of arbitrage

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<sup>1</sup> Enters into force as amended under Point 30 of Section 67 of Act CLXII of 2015.

## TARTALOMJEGYZÉK

Act LXXXVIII of 2014 .....	1
on the Business of Insurance .....	1
BOOK ONE .....	1
INTRODUCTORY PROVISIONS .....	1
1. Scope .....	1
Section 1 .....	1
Section 2 .....	2
Section 3 .....	3
2. Definitions .....	3
Section 4 .....	3
3. Translation of euro sums into forints .....	17
Section 5 .....	17
BOOK TWO .....	17
PROVISIONS RELATING TO INSURANCE COMPANIES AND REINSURANCE COMPANIES .....	17
PART ONE .....	17
GENERAL RULES RELATING TO THE OPERATION OF INSURANCE COMPANIES AND REINSURANCE COMPANIES .....	17
CHAPTER I .....	17
INSURANCE COMPANIES AND REINSURANCE COMPANIES .....	17
4. General rules relating to insurance companies and reinsurance companies .....	18
Section 6 .....	18
5. Insurance companies and reinsurance companies incorporated as limited companies .....	18
Section 7 .....	18
Section 8 .....	19
6. Cooperative insurance and reinsurance companies .....	19
Section 9 .....	19
Section 10 .....	19
Section 11 .....	19
Section 12 .....	19
Section 13 .....	20
Section 14 .....	20
Section 15 .....	20
Section 16 .....	20
7. Mutual associations .....	20
Section 17 .....	20
Section 18 .....	20
Section 19 .....	21
Section 20 .....	21

Section 21 .....	21
Section 22 .....	21
Section 23 .....	22
Section 24 .....	22
Section 25 .....	23
Section 25/A .....	23
Section 26 .....	23
Section 27 .....	23
Section 28 .....	23
Section 29 .....	24
Section 30 .....	25
8. Hungarian branches of third-country insurance and reinsurance companies .....	25
Section 31 .....	25
Section 32 .....	26
Section 33 .....	26
Section 34 .....	26
9. Hungarian branches of insurance companies and reinsurance companies established in other Member States .....	27
Section 35 .....	27
Section 36 .....	27
Section 37 .....	27
10. Activities of insurance companies and reinsurance companies established in other Member States performed in Hungary in the form of cross-border services .....	27
Section 38 .....	27
Section 39 .....	27
CHAPTER II .....	28
BASIC REQUIREMENTS FOR THE PURSUIT OF THE BUSINESS OF INSURANCE AND REINSURANCE .....	28
11. Principles to be applied relating to the exclusivity of insurance and reinsurance activities .....	28
Section 40 .....	28
12. Principles to be applied relating to the authorization of insurance and reinsurance activities .....	29
Section 41 .....	29
13. Scope of authorization .....	29
Section 42 .....	29
Section 43 .....	29
Section 44 .....	30
Section 45 .....	30
Section 46 .....	31

Section 47 .....	31
14. Place of the head office of insurance companies and reinsurance companies .....	32
Section 48 .....	32
14/A. Registers of insurance and reinsurance companies on their contributors and their managers responsible for distribution operations .....	32
Section 48/A .....	32
PART TWO .....	32
SPECIAL PROVISIONS RELATING TO THE OPERATION OF INSURANCE COMPANIES AND REINSURANCE COMPANIES .....	32
CHAPTER III .....	32
RULES APPLICABLE TO MEMBERS OF THE MANAGEMENT BODY AND THE EMPLOYEES .....	33
15. Senior executives .....	33
Section 49 .....	33
16. The chief executive officer and power of representation .....	33
Section 50 .....	33
Section 51 .....	33
Section 52 .....	34
17. Requirements relating to the senior executive .....	34
Section 53 .....	34
Section 54 .....	34
18. Non-management officers .....	35
Section 55 .....	35
Section 56 .....	35
19. Senior actuary .....	36
Section 57 .....	36
Section 58 .....	36
20. Senior jurist .....	37
Section 59 .....	37
Section 60 .....	37
21. Chief accounting officer .....	37
Section 61 .....	37
Section 62 .....	38
22. Director of internal control (internal controller) .....	38
Section 63 .....	38
Section 64 .....	38
23. Senior risk management officer .....	38
Section 65 .....	39
Section 66 .....	39
24. Compliance officer .....	39

Section 67 .....	39
Section 68 .....	39
25. Fit and proper requirements .....	40
Section 69 .....	40
25/A. Good repute .....	40
Section 69/A .....	40
26. Auditor .....	41
Section 70 .....	41
Section 71 .....	42
27. Rules applicable to the activities of managers, employees and agents .....	43
Section 72 .....	43
Section 73 .....	43
Section 74 .....	43
Section 74/A .....	43
Section 75 .....	44
Section 75/A .....	44
CHAPTER IV .....	44
SYSTEM OF GOVERNANCE OF INSURANCE AND REINSURANCE COMPANIES .....	44
28. General requirements relating to governance arrangements .....	44
Section 76 .....	44
Section 77 .....	45
Section 78 .....	45
Section 79 .....	45
Section 80 .....	45
29. Key functions .....	46
Section 81 .....	46
Section 82 .....	46
Section 83 .....	46
Section 84 .....	46
Section 85 .....	47
30. Risk-management system .....	48
Section 86 .....	48
Section 87 .....	48
Section 88 .....	49
31. Own risk and solvency assessment .....	49
Section 89 .....	49
32. Conditions for outsourcing .....	50
Section 90 .....	50
Section 91 .....	51
Section 92 .....	51
CHAPTER V .....	52



MATERIAL CONDITIONS FOR THE PURSUIT OF THE BUSINESS OF INSURANCE AND REINSURANCE .....	52
33. Material conditions for the taking up and pursuit of activities .....	52
Section 93 .....	52
Section 94 .....	52
34. Scheme of operations .....	54
Section 95 .....	54
35. Valuation of assets and liabilities .....	54
Section 96 .....	54
36. Rules relating to technical provisions .....	55
Section 97 .....	55
Section 98 .....	55
37. Capital requirements .....	55
Section 99 .....	55
Section 100 .....	55
38. Minimum capital requirement .....	55
Section 101 .....	55
Section 102 .....	56
39. Investments .....	56
Section 103 .....	56
Section 104 .....	57
Section 104/A .....	57
Section 104/B .....	57
Section 105 .....	58
Section 106 .....	58
Section 107 .....	58
40. Rules of disclosure relating to solvency and financial situation, and other publication requirements .....	60
Section 108 .....	60
Section 108/A .....	60
CHAPTER VI .....	60
REGULATIONS GOVERNING THE REGISTERS OF ASSETS, THE ACCOUNTING SYSTEM AND FINANCIAL REPORTS OF INSURANCE COMPANIES .....	60
41. Records of assets .....	60
Section 109 .....	61
Section 110 .....	61
42. Accounting system and annual account of insurance or reinsurance companies .....	61
Section 111 .....	61
Section 112 .....	62
Section 113 .....	62
Section 114 .....	62

Section 115 .....	62
43. Special rules relating to audit committees .....	62
Section 116 .....	63
Section 117 .....	63
CHAPTER VII .....	64
TRANSFER OF PORTFOLIO .....	64
44. Transfer of insurance portfolio .....	64
Section 118 .....	64
Section 119 .....	64
45. Transfer of reinsurance portfolio .....	64
Section 120 .....	64
PART THREE .....	65
INSURANCE PRODUCTS AND THE MARKETING THEREOF, ADMINISTRATION RULES CONCERNING CLIENTS .....	65
CHAPTER VIII .....	65
RULES RELATING TO INSURANCE CONTRACTS .....	65
46. Minimum content requirements for insurance contracts .....	65
Section 121 .....	65
47. Cancelling life insurance policies under special circumstances .....	66
Section 122 .....	66
47/A. Subsequent amendments of insurance contracts .....	66
Section 122/A .....	66
48. Special provisions relating to the performance of insurance contracts .....	67
Section 123 .....	67
Section 123/A .....	67
Section 124 .....	67
48/A. Specific provisions relating to life insurance policies with savings element .....	68
Section 124/A .....	68
48/B. Specific rules of property insurance policies .....	68
Section 124/B .....	68
Section 124/C .....	69
49. Capital guarantees and performance guarantees .....	69
Section 125 .....	69
50. Capital protection and yield protection .....	69
Section 126 .....	69
51. Rules of asset fund suspension .....	69
Section 127 .....	69

52. Rules applicable in the event of any error in the calculation of the net asset value of an asset fund .....	72
Section 128 .....	72
53. Compulsory insurance cover .....	73
Section 129 .....	73
CHAPTER IX .....	73
RULES RELATING TO THE MARKETING OF INSURANCE PRODUCTS .....	73
54. Marketing of insurance products .....	73
Section 130 .....	73
Section 130/A .....	74
Section 131 .....	74
Section 131/A .....	74
55. Product strategy .....	75
Section 132 .....	75
Section 133 .....	75
56. Non-discrimination on the basis of sex .....	75
Section 134 .....	75
56/A. Continuing professional training and development of managers of insurance and reinsurance companies responsible for distribution operations, and the contributors of insurance and reinsurance companies corresponding to the products they distribute .....	76
Section 134/A .....	76
CHAPTER X .....	77
PROVISIONS RELATING TO CONFIDENTIALITY .....	77
57. Insurance secrets .....	77
Section 135 .....	77
Section 136 .....	77
Section 137 .....	78
Section 138 .....	78
Section 139 .....	81
Section 140 .....	81
Section 141 .....	81
Section 142 .....	82
Section 143 .....	82
58. Trade secrets of insurance companies and reinsurance companies .....	83
Section 144 .....	83
Section 145 .....	83
Section 146 .....	84
59. Common provisions relating to insurance secrets and trade secrets .....	84
Section 147 .....	84
Section 147/A .....	84

60. Obligations under the FATCA Act .....	85
Section 148 .....	85
60/A. Obligations under reporting and due diligence rules for financial account information .....	85
Section 148/A .....	85
61. Data disclosures made for the purpose of protection of risk groups .....	85
Section 149 .....	86
Section 150 .....	87
Section 151 .....	89
CHAPTER XI .....	89
ADMINISTRATION RULES CONCERNING CLIENTS .....	89
62. Provision of information to clients .....	89
Section 152 .....	89
Section 152/A .....	91
Section 153 .....	91
Section 154 .....	92
Section 155 .....	92
Section 156 .....	92
Section 157 .....	93
Section 158 .....	93
Section 158/A .....	93
62/A. Provisions relating to advised sales and to selling insurance products where no advice is given .....	93
Section 158/B .....	93
62/B. Cross-selling rules and related client information requirements .....	94
Section 158/C .....	94
63. Complaints handling .....	95
Section 159 .....	95
CHAPTER XII .....	96
PROVISIONS SPECIFIC TO LEGAL EXPENSES INSURANCE .....	96
64. Scope of application of this Chapter .....	96
Section 160 .....	96
65. Separation of legal expenses insurance .....	96
Section 161 .....	96
Section 162 .....	97
Section 163 .....	97
66. Representation .....	97
Section 164 .....	97
67. Mandatory content requirements of contracts of legal expenses insurance .....	97
Section 165 .....	98

Section 166 .....	98
CHAPTER XII/A .....	98
SPECIFIC PROVISIONS IN RELATION TO THE DISTRIBUTION OF INSURANCE-BASED INVESTMENT PRODUCTS .....	98
67/A. Scope of application of this Chapter .....	99
Section 166/A .....	99
67/B. Additional requirements in relation to insurance-based investment products .....	99
Section 166/B .....	99
Section 166/C .....	99
Section 166/D .....	99
Section 166/E .....	100
Section 166/F .....	101
PART FOUR .....	101
REORGANIZATION AND LIQUIDATION OF INSURANCE COMPANIES .....	101
CHAPTER XIII .....	101
REORGANIZATION MEASURES RELATING TO INSURANCE COMPANIES .....	101
68. Transfer of insurance portfolio in the insured persons' interest .....	102
Section 167 .....	102
Section 168 .....	103
Section 168/A .....	103
69. Regulations relating to reorganization measures ordered in another Member State .....	103
Section 169 .....	103
Section 170 .....	104
CHAPTER XIV .....	104
LIQUIDATION OF INSURANCE COMPANIES .....	104
70. General provisions .....	104
Section 171 .....	104
Section 172 .....	104
Section 173 .....	104
Section 174 .....	105
Section 175 .....	105
Section 176 .....	105
Section 177 .....	105
Section 178 .....	105
Section 179 .....	106
Section 180 .....	106
71. Opening of liquidation proceedings .....	106
Section 181 .....	106
72. Notification of creditors' claims .....	107
Section 182 .....	107

73. Satisfying creditors' claims .....	107
Section 183 .....	107
Section 184 .....	108
Section 185 .....	109
Section 185/A .....	109
Section 186 .....	110
74. Effect of ordering the opening of liquidation on insurance contracts .....	110
Section 187 .....	110
Section 188 .....	110
75. Communications .....	111
Section 189 .....	111
Section 190 .....	111
Section 191 .....	111
Section 192 .....	112
Section 193 .....	112
Section 194 .....	112
CHAPTER XV .....	112
COMMON PROVISIONS RELATING TO REORGANIZATION MEASURES AND LIQUIDATION PROCEEDINGS .....	113
76. Law applicable to certain contracts .....	113
Section 195 .....	113
77. Rights in rem .....	113
Section 196 .....	113
Section 197 .....	113
PART FIVE .....	113
PROVISIONS RELATING TO REINSURANCE, SPECIAL PURPOSE VEHICLES AND CO-INSURANCE .....	113
CHAPTER XVI .....	114
COMPLEMENTARY RULES RELATING TO REINSURANCE AND SPECIAL PURPOSE VEHICLES .....	114
78. Finite reinsurance .....	114
Section 198 .....	114
79. Special purpose vehicles .....	114
Section 199 .....	114
CHAPTER XVII .....	114
PROVISIONS RELATING TO CROSS-BORDER CO-INSURANCE OPERATIONS .....	114
80. Scope of application of this Chapter .....	114
Section 200 .....	114
81. Derogating rules relating to co-insurance .....	115
Section 201 .....	115
Section 202 .....	115
Section 203 .....	115

PART SIX .....	115
PROVISIONS RELATING TO SMALL INSURANCE COMPANIES .....	115
82. Scope and application .....	115
Section 204 .....	115
Section 205 .....	116
Section 206 .....	116
Section 207 .....	116
Section 208 .....	116
CHAPTER XVIII .....	117
DEROGATING RULES RELATING TO SMALL INSURANCE COMPANIES .....	117
83. Derogations in terms of organization and activities .....	117
Section 209 .....	117
Section 210 .....	117
Section 211 .....	118
84. Records of assets .....	118
Section 212 .....	118
85. Scheme of operations .....	118
Section 213 .....	118
86. Conditions for outsourcing in the case of small insurance companies .....	119
Section 214 .....	119
87. Rules relating to technical provisions, the solvency margin and to the guarantee fund .....	120
Section 215 .....	120
Section 216 .....	120
Section 217 .....	120
Section 218 .....	120
Section 219 .....	122
88. Derogating rules relating to investments .....	122
Section 220 .....	122
Section 221 .....	122
Section 222 .....	122
Section 223 .....	123
Section 224 .....	124
Section 225 .....	124
Section 226 .....	125
Section 227 .....	125
Section 228 .....	126
Section 229 .....	126
CHAPTER XIX .....	126
DEROGATING RULES RELATING TO SMALL INSURANCE COMPANIES OPERATING IN THE FORM OF MUTUAL ASSOCIATIONS .....	126

89. Scope of application of this Chapter .....	126
Section 230 .....	127
90. Derogations in terms of organization and activities .....	127
Section 231 .....	127
Section 232 .....	127
Section 233 .....	127
Section 234 .....	127
Section 235 .....	128
Section 236 .....	128
PART SEVEN .....	128
SUPERVISION OF INSURANCE AND REINSURANCE COMPANIES .....	128
CHAPTER XX .....	128
AUTHORIZATIONS .....	128
Section 237 .....	128
91. Authorization of the foundation of insurance and reinsurance companies .....	129
Section 238 .....	129
Section 239 .....	130
Section 240 .....	130
Section 241 .....	131
Section 242 .....	131
92. Authorization of insurance and reinsurance companies for the pursuit of activities .....	132
Section 243 .....	132
Section 244 .....	132
Section 245 .....	133
Section 246 .....	134
93. Authorization of the pursuit of activities for branches to be established by an insurance or reinsurance company established in a third country .....	134
Section 247 .....	134
94. Authorization for making changes in, or the termination of, insurance and reinsurance activities .....	135
Section 248 .....	135
Section 249 .....	136
Section 250 .....	136
Section 251 .....	136
95. Approval of senior executives and non-management officers .....	136
Section 252 .....	136
Section 253 .....	137
Section 254 .....	137



Section 254/A .....	137
96. Authorization for providing advantages to the branches authorized in several Member States of third-country insurance companies .....	137
Section 255 .....	138
97. Authorization of portfolio transfer arrangements .....	138
Section 256 .....	139
Section 257 .....	139
97/A. Authorization of the transformation, merger and division of insurance and reinsurance companies .....	140
Section 257/A .....	140
Section 257/B .....	141
98. Authorization of the acquisition of qualifying interest .....	141
Section 258 .....	141
Section 259 .....	143
Section 260 .....	143
Section 261 .....	144
Section 262 .....	145
99. Authorization for establishing an insurance company by a Hungarian insurance company in a third country, or for the acquisition of a share in an insurance company established in a third country, and for setting up a branch in a third country .....	145
Section 263 .....	145
100. Authorization for the transfer of additional capital if there is a solvency deficit in any class of insurance in the case of insurance companies authorized to conduct both life insurance and non-life insurance business .....	146
Section 264 .....	146
101. Authorization of offsetting by reinsurance .....	146
Section 265 .....	146
102. Authorization for the employment or delegation of a principal agent .....	146
Section 266 .....	147
CHAPTER XXI .....	147
PROVISIONS RELATING TO SUPERVISION, NOTIFICATIONS AND COMMUNICATIONS .....	147
103. General obligation of notification of insurance companies .....	147
Section 267 .....	147
Section 268 .....	148
Section 269 .....	148

104. Notifications relating to the asset funds of unit-linked life insurance policies .....	150
Section 270 .....	150
105. Notification of outsourced activities .....	150
Section 271 .....	150
106. Obligation of reporting by the chair of the supervisory board .....	150
Section 272 .....	151
107. Notifications relating to qualifying interests .....	151
Section 273 .....	151
Section 274 .....	151
Section 275 .....	152
108. Supervisory review process and the related powers of control .....	152
Section 276 .....	152
109. Supervisory control of outsourced activities .....	152
Section 277 .....	152
Section 278 .....	153
109/A. On-site inspector .....	153
Section 278/A .....	153
110. Notification of, and the rules for, setting up a branch to pursue the business of insurance in another Member State .....	154
Section 279 .....	154
Section 280 .....	155
Section 281 .....	155
Section 282 .....	155
111. Handling of notifications between Member States in connection with the branches of insurance companies established in other Member States .....	156
Section 283 .....	156
112. Notification of, and the rules for, the supply of cross-border services .....	156
Section 284 .....	156
Section 285 .....	157
113. Handling of notifications between Member States in connection with cross-border services provided by insurance and reinsurance companies established in other Member States .....	157
Section 286 .....	158
114. Statistical information on cross-border activities .....	158
Section 287 .....	158

115. Provisions relating to the supervision of the activities of the Hungarian branches of insurance and reinsurance companies established in other Member States, or their activities performed in Hungary in the form of cross-border services .....	158
Section 288 .....	158
Section 289 .....	158
Section 290 .....	159
115/A. Notifications in the case of cross-border activities .....	160
Section 290/A .....	160
115/B. Collaboration platforms for cross-border activities .....	160
Section 290/B .....	160
CHAPTER XXII .....	161
MEASURES AND ACTIONS OF THE AUTHORITY .....	161
116. General rules relating to actions taken by the Authority .....	161
Section 291 .....	161
Section 292 .....	163
Section 293 .....	163
Section 293/A .....	163
117. Supervision fines .....	164
Section 294 .....	164
118. Supervisory commissioner .....	164
Section 295 .....	164
Section 296 .....	164
Section 297 .....	164
Section 298 .....	165
Section 299 .....	165
119. Suspending and prohibiting the marketing of an insurance product .....	165
Section 300 .....	165
Section 301 .....	165
120. Suspension of activity license .....	166
Section 302 .....	166
121. Withdrawal of the authorization of establishment .....	166
Section 303 .....	166
122. Withdrawal of activity license .....	166
Section 304 .....	166
123. Auditor's dismissal .....	167
Section 305 .....	167
124. Prohibition of outsourcing, setting conditions for outsourcing .....	167

Section 306 .....	167
125. Non-compliance with technical provisions .....	168
Section 307 .....	168
Section 308 .....	168
126. Non-compliance with the solvency capital requirement .....	168
Section 309 .....	168
Section 310 .....	168
Section 311 .....	169
127. Non-compliance with the minimum capital requirement .....	169
Section 312 .....	170
Section 313 .....	170
128. Common provisions relating to finance schemes and recovery plans .....	170
Section 314 .....	170
Section 315 .....	171
129. Finance scheme, recapitalization plan and financial recovery plan of small insurance companies .....	171
Section 316 .....	171
Section 317 .....	171
Section 318 .....	172
Section 319 .....	172
130. Insurance emergency .....	173
Section 320 .....	173
CHAPTER XXIII .....	174
DATA PROCESSING BY THE AUTHORITY .....	174
Section 321 .....	174
Section 322 .....	174
Section 323 .....	175
CHAPTER XXIV .....	175
SUPERVISION FEE .....	175
Section 324 .....	175
131. Minimum charge .....	176
Section 325 .....	176
132. Variable-rate fee .....	176
Section 326 .....	176
CHAPTER XXV .....	176
GROUP SUPERVISION .....	176
133. Scope of group supervision .....	176
Section 327 .....	176
Sections 328-330 .....	177
134-165. ....	177
Section 331-367 .....	177

BOOK THREE .....	177
INSURANCE INTERMEDIARIES AND ANCILLERY	
INSURANCE INTERMEDIARIES .....	177
166. Scope of application of this Book .....	177
Section 368 .....	177
PART EIGHT .....	177
PROVISIONS RELATING TO THE FUNCTIONING	
OF INSURANCE INTERMEDIARIES AND	
ANCILLERY INSURANCE INTERMEDIARIES .....	178
CHAPTER XXVI .....	178
COMMON PROVISIONS RELATING TO THE	
FUNCTIONING OF INSURANCE	
INTERMEDIARIES AND ANCILLERY	
INSURANCE INTERMEDIARIES .....	178
167. Basic requirements for the pursuit of	
insurance and ancillary insurance mediation	
activities .....	178
Section 369 .....	178
Section 370 .....	179
Section 371 .....	180
Section 372 .....	180
Section 373 .....	180
Section 373/A .....	181
Section 374 .....	181
Section 375 .....	181
Section 375/A .....	181
167/A. Provisions relating to the	
remuneration of insurance intermediaries and	
ancillary insurance intermediaries .....	182
Section 375/B .....	182
168. Continuing professional training and	
advanced training in relation to activities of	
insurance intermediaries and ancillary	
insurance intermediaries corresponding to	
the products distributed .....	182
Section 376 .....	182
169. Rules on the payment of commission in	
connection with life insurance policies with	
savings element .....	184
Section 377 .....	184
169/A. Rules on the general remuneration	
policies of insurance contracts .....	185
Section 377/A .....	185
170. Obligation of insurance intermediaries	
and ancillary insurance intermediaries to	
provide information .....	185
Section 378 .....	185
Section 378/A .....	187

---

171. Obligation of professional secrecy of insurance intermediaries and ancillary insurance intermediaries .....	188
Section 379 .....	188
Section 380 .....	188
Section 381 .....	188
Section 381/A .....	188
172. Complaints handling by insurance intermediaries and ancillary insurance intermediaries .....	188
Section 382 .....	188
CHAPTER XXVII .....	189
SPECIAL PROVISIONS RELATING TO THE FUNCTIONING OF TIED INSURANCE INTERMEDIARIES .....	189
173. Insurance Agents .....	189
Section 383 .....	189
Section 384 .....	190
Section 385 .....	190
Section 386 .....	190
Section 386/A .....	190
174. Multiple agents .....	191
Section 387 .....	191
Section 387/A .....	191
Section 388 .....	191
Section 389 .....	192
Section 390 .....	193
Section 391 .....	193
Section 392 .....	193
Section 393 .....	194
Section 394 .....	194
CHAPTER XXVIII .....	194
PRINCIPAL AGENTS .....	194
Section 395 .....	194
Section 396 .....	195
Section 397 .....	195
CHAPTER XXIX .....	195
SPECIAL PROVISIONS RELATING TO THE FUNCTIONING OF INDEPENDENT INSURANCE INTERMEDIARIES .....	195
175. Insurance brokers .....	195
Section 398 .....	195
Section 399 .....	196
Section 400 .....	197
Section 401 .....	198
Section 402 .....	198
Section 403 .....	198

Section 404 .....	198
Section 405 .....	198
Section 406 .....	199
Section 406/A .....	199
PART NINE .....	200
SUPERVISION OF INSURANCE INTERMEDIARIES AND ANCILLERY INSURANCE INTERMEDIARIES .....	201
CHAPTER XXX .....	201
REGISTER OF INSURANCE INTERMEDIARIES AND ANCILLERY INSURANCE INTERMEDIARIES .....	201
176. Registration of insurance intermediaries and ancillary insurance intermediaries and economic operators engaged in ancillary insurance mediation .....	201
Section 407 .....	201
Section 408 .....	203
Section 409 .....	203
Section 410 .....	203
Section 411 .....	204
177. Internal registers on insurance intermediaries, economic operators engaged in ancillary insurance mediation and on persons provided for in Subsection (1) of Section 368 .....	204
Section 412 .....	204
CHAPTER XXXI .....	207
AUTHORIZATION OF INSURANCE INTERMEDIARIES .....	207
Section 413 .....	207
178. Authorization of multiple agents and brokers .....	207
Section 414 .....	207
Section 415 .....	208
179. Authorization of the employment of a natural person for the management of activities of multiple agents and brokers .....	208
Section 416 .....	209
180. Authorization of the pursuit of activities for branches to be established by an insurance intermediary established in a third country .....	209
Section 417 .....	209
181. Authorization of the employment of the general representative of a branch set up by an insurance intermediary established in a third country .....	210
Section 418 .....	210
Section 419 .....	210

182. Termination or suspension of the activities of multiple agents and brokers upon request .....	211
Section 420 .....	211
Section 421 .....	211
CHAPTER XXXII .....	211
PROVISIONS ON CONTROL, NOTIFICATIONS AND COMMUNICATIONS RELATING TO THE SUPERVISION OF INSURANCE INTERMEDIARIES AND ANCILLERY INSURANCE INTERMEDIARIES .....	212
183. Regulations on the taking up of activities by insurance intermediaries and ancillary insurance intermediaries or ancillary insurance intermediaries and ancillary insurance intermediaries in other Member States through a branch or in the form of cross-border services .....	212
Section 422 .....	212
184. Rules relating to insurance intermediaries and ancillary insurance intermediaries established in other Member States for setting up a branch in Hungary and for taking up activities in Hungary through a branch or in the form of cross-border services .....	214
Section 423 .....	214
185. Other notification requirement of insurance intermediaries .....	214
Section 424 .....	214
186. Provisions relating to the supervision of the activities of the Hungarian branches of insurance intermediaries or ancillary insurance intermediaries established in other Member States, or their activities performed in Hungary in the form of cross-border services .....	215
Section 425 .....	215
Section 426 .....	215
Section 427 .....	216
Section 427/A .....	216
186/A. Rules relating to the supervision of insurance intermediaries and ancillary insurance intermediaries taking up activities in other Member States through a branch or in the form of cross-border services .....	217
Section 427/B .....	217
Section 427/C .....	217
187. Provisions relating to the supervision of the Hungarian branches of insurance intermediaries established in third countries .....	218
Section 428 .....	218



Section 429 .....	218
188. Records in connection with official training and examinations .....	218
Section 430 .....	218
CHAPTER XXXIII .....	219
ACTIONS RELATED TO INSURANCE INTERMEDIARIES AND ANCILLARY INSURANCE INTERMEDIARIES .....	219
Section 431 .....	219
189. Supervisory fines .....	221
Section 432 .....	221
190. Removal of an insurance intermediary from the register .....	221
Section 433 .....	221
191. Suspension of the authorization of multiple agents and brokers .....	221
Section 434 .....	222
192. Withdrawal of the authorization of multiple agents and brokers .....	222
Section 435 .....	222
CHAPTER XXXIV .....	222
SUPERVISION FEE PAYABLE BY INSURANCE INTERMEDIARIES .....	222
Section 436 .....	223
BOOK FOUR .....	223
CLOSING PROVISIONS .....	223
193. Authorizations .....	223
Section 437 .....	223
Section 438 .....	223
Section 439 .....	224
194. Entry into force .....	224
Section 440 .....	224
195. Transitional provisions .....	225
Section 441 .....	225
Section 442 .....	225
Section 442/A .....	226
Section 443 .....	227
Section 444 .....	227
Section 445 .....	228
Section 445/A .....	228
Section 445/B .....	229
Section 445/C .....	230
Section 446 .....	230
Section 447 .....	232
Section 448 .....	232
Section 449 .....	233

Section 450 .....	233
Section 451 .....	234
Section 452 .....	234
Section 452/A .....	235
Section 452/B .....	235
Section 452/C .....	235
Section 452/D .....	236
Section 452/E .....	236
Section 452/F .....	236
Section 452/G .....	236
Section 452/H .....	236
Section 452/I .....	236
Section 452/J .....	237
Section 452/K .....	237
Section 452/L .....	238
196. Compliance with the Acquis .....	238
Section 453 .....	238
Section 453/A .....	239
197. Amendments and repeals .....	239
Sections 454-455 .....	239
Section 456 .....	240
Sections 457-460 .....	240
Section 461 .....	240
Sections 462-465 .....	240
Section 466 .....	240
Section 467 .....	240
Annex 1 to Act LXXXVIII of 2014 .....	240
Part A) .....	240
Classification of non-life insurance classes according to risk .....	240
Part B) .....	242
Description of authorizations granted for more than one class of insurance .....	242
Annex 2 to Act LXXXVIII of 2014 .....	242
Classification of life insurance classes according to risk .....	242
Annex 3 to Act LXXXVIII of 2014 .....	243
Insurance Product Plan .....	243
Annex 4 to Act LXXXVIII of 2014 .....	244
Information to clients .....	244
Annex 5 to Act LXXXVIII of 2014 .....	246
Definition and Calculation of Indirect Holdings .....	246
Annex 6 to Act LXXXVIII of 2014 .....	246
Grouping of assets covering technical provisions of accountancy .....	246
Annex 7 to Act LXXXVIII of 2014 .....	247

---

Minimum professional knowledge and competence requirements .....	247
Annex 8 to Act LXXXVIII of 2014 .....	248
Matching rules .....	248
Annex 9 to Act LXXXVIII of 2014 .....	248
Annex 10 to Act LXXXVIII of 2014 .....	249
Rules and principles for the assessment, documentation and disclosure of earnings achieved in a portfolio managed by a body providing portfolio management services .....	249
Annex 11 to Act LXXXVIII of 2014 .....	250
Part A) .....	250
Felszámolási eljárások Liquidation proceedings .....	250
Part B) .....	250
Part C) .....	251
Reorganizációs intézkedések Reorganization measures .....	251
Annex 12 to Act LXXXVIII of 2014 .....	251
Investment policy contents list .....	251