

**Methodological Guideline No 6/2021 of the financial market supervision units of
Národná banka Slovenska of 17 May 2021
on the combining of key functions in the insurance sector**

Národná banka Slovenska, acting through its financial market supervision units (hereinafter 'NBS') and according to the provision of point three of Section 1(3)(a) of Act No 747/2004 on financial market supervision, as amended, in order to harmonise the procedure for assessing and supervising the combining of multiple key functions under one holder, or the holding of one or more key functions by a management board member or supervisory board member, by laying down rules embodying basic principles and limits in regard to the combining of key functions, has issued this Methodological Guideline:

**Article 1
Combining of key functions**

(1) The term 'combining of key functions' means a situation in which a single natural person is designated by an insurance or reinsurance undertaking (hereinafter '(re)insurer') as the holder of more than one key function or is the holder of one key function and simultaneously performs tasks related to another key function. It is not deemed to be a combining of key functions where tasks related to more than one key function are performed by a (re)insurer's employee who is not a key function holder.

(2) A combining of key functions is also deemed to exist where a management board member or supervisory board member is simultaneously a key function holder.

**Article 2
Assessing the combining of key functions**

In assessing each combining of key functions, it is necessary to proceed on a case-by-case basis, having regard to the principles laid down in Articles 3 to 9 hereunder.

**Article 3
Principle 1**

The combining of key functions cannot be deemed a standard applied to the insurance market, but only an exception arising from the application of the proportionality principle.

**Article 4
Principle 2**

In assessing the combining of key functions, none of the following situations may be accepted:

- a) the combining of the internal audit function with any other key function or with the function of a management board member;
- b) the combining of the function of a supervisory board member with any key function; this also applies to any employee nominated as the employees' representative on the supervisory board.

Article 5
Principle 3

In assessing the combining of key functions, the following criteria must be taken into account:

- a) **the size of the (re)insurer** – consideration must be given at least to the number of employees and to the (re)insurer's volume of premiums written and market share;
- b) **the (re)insurer's risk profile** – consideration must be given at least to the scope of the (re)insurer's insurance activities and the complexity of its business model;
- c) **timeframe** – consideration must be given to the current and expected duration of the combining of key functions;
- d) **the objective reasons that led the (re)insurer to take this step.**

(This principle is referred to above as 'the proportionality principle'.)

Article 6
Principle 4

(1) In the case of medium-sized and large (re)insurers and (re)insurers with a significant risk profile, a combining of key functions may be accepted only for a limited period of time, not exceeding six months, and only for objective reasons.

(2) The period mentioned in paragraph 1 may be extended only for exceptional reasons and for no longer than one year.

Article 7
Principle 5

In the case of small (re)insurers with a simpler risk profile, a combining of key functions may be accepted only for objective reasons. There is no restriction on the period of time for which such a situation may be accepted, though the objective reasons on which it is based must be reassessed at least annually, as must the (re)insurer's size and risk profile. It is required that the (re)insurer perform ongoing reassessments in order to keep operational and legal risks to a minimum.

Article 8
Principle 6

The objective reasons justifying a combining of key functions may include in particular the following:

- a) the unexpected (sudden) termination of a key function holder's employment;
- b) the objective impossibility of employing a person who meets the requirements for a key function holder given the non-availability of such person in the labour market (this concerns mainly risk managers).
- c) the temporary coverage of a key function while the person selected as the key function holder undergoes (induction) training for the position, including taking into account the timeframe of that training and providing sufficient staff support at the internal or group level.

- d) the economic efficiency of the combining of key functions in the light of the size of the (re)insurer's workforce;
- e) the (re)insurer's merger with or acquisition by another undertaking, or the winding down of its activities.

Article 9

Principle 7

The inclusion of key functions in the organisational structure of a (re)insurer must not in any way imply an indirect combining of key functions. This refers mainly to the subordination of one key function to another.

Article III

Date of effect

This Methodological Guideline takes effect on 1 July 2021.

Vladimír Dvořáček

Member of the Bank Board
and Executive Director
Supervision and Financial Stability Division
Národná banka Slovenska

Júlia Čillíková

Executive Director
Supervision and Financial Consumer
Protection Division
Národná banka Slovenska