



LEI Implementation by Insurers Frequently Asked Questions

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General Questions

For NAIC reporting purposes, the CICI (i.e., CFTC Interim Compliant Identifier) is not an LEI (i.e., Legal Entity Identifier) unless and until it transitions into the global LEI system. The CICI along with several other legal entity identifiers that comply with set requirements were deemed pre-LEIs by the Financial Stability Board. The Regulatory Oversight Committee has stated that by June it expects to have a pre-LEI system of mutual acceptance in place so that LEI-compliant numbers that meet certain conditions and are sponsored by a ROC member can be relied on for global use and acceptance.

Insurers may choose to use the CICI to develop systems for reporting the LEI until LEIs are available, including pre-LEIs that have officially transitioned into the global LEI system. However, there will be no NAIC validation checks created for the CICI.

1. What is an LEI?

The Legal Entity identifier (LEI) program is designed to create and apply a single, universal standard identifier on an international basis to any organization or firm involved in a financial transaction. Such an identifier for each legal entity would allow regulators to conduct more accurate analysis of global, systemically important financial institutions and their transactions with all counterparties across markets, products and regions, allowing regulators to better identify concentrations and emerging risks. It will also allow local regulators to realize these same benefits. For risk managers in financial institutions, the LEI will increase the effectiveness of tools aggregating their exposures to counterparties.

2. What entities are required to have an LEI?

It is important to distinguish between being eligible for an LEI and being required to have one. As defined in ISO Standard 17442, any legal *entity* that enters into a financial transaction is eligible for an LEI. Individuals/natural persons, however, are not eligible for LEIs. Any requirement to have an LEI will come from national or global financial regulators. Currently, there is one regulator requiring the use of an LEI for entity identification and that is the Commodity Futures Trading Commission (CFTC). The CFTC is requiring use of an LEI (the CICI) for reporting and recordkeeping of OTC derivatives counterparties. Regulators in Europe (ESMA), Hong Kong (HKMA), Canada (CSA), and Australia will also be requiring the use of an LEI as their OTC derivatives reporting rules go into effect later in 2013.

Other regulators cite the LEI as an optional field. The SEC includes an option to provide an LEI on their Form PF.

The NAIC instructions state that the LEI should be used to identify entities such as bond and stock issuers in their investment holdings, if available.

3. Will an LEI be the same for all classes of assets (bonds, mortgages, etc.)?

Yes. The LEI is a unique identifier for any given *legal entity*. As a result, that legal entity will use its LEI for reporting of any type of financial transaction it enters into regardless of the asset class or when the particular asset was issued.

4. For some of our holdings, there are multiple LEI numbers for the issuer - for example Morgan Stanley. How will we know which one to use?

If there are multiple LEIs, it is likely they are for different entities within the Morgan Stanley family. A large financial conglomerate like Morgan Stanley will have individual LEIs for each different legal entity, e.g., its holding company, broker-dealer, bank. It will be important to understand which entity actually issued the security and then the proper LEI can be selected for reporting.

5. If the goal is to have a measurement of systemic risk, why is there no ability to roll-up to "parent" implicit in the information?

It was deemed critical that the LEI not have any intelligence in itself. However, each LEI will be tied to reference data. Hierarchy and ownership data are planned for subsequent phases of the global LEI initiative. The point of the LEI itself is to establish a common nomenclature, not on its own to assign risk. Nonetheless, even without full hierarchies, having a common means to unambiguously identify entities through the LEI will improve the user's ability to do risk analysis.

6. How will the LEI be obtained? For reporting purposes?

Today, the only organization in the US issuing pre-LEIs is the CICI Utility (www.CIClutility.org). The CICI Utility issues pre-LEIs (called CICIs). The CICI Utility will issue a pre-LEI/CICI to any legal entity that enters into a financial transaction. Entities may obtain pre-LEIs from the CICI Utility at CIClutility.org. The site has instructions for registering for a pre-LEI as well as other helpful information including a set of FAQs. As noted earlier, the Regulatory Oversight Committee has stated that by June it expects to have a pre-LEI system of mutual acceptance in place so that LEI-compliant numbers that meet certain conditions and are sponsored by a ROC member can be relied on for global use and acceptance.

Numerous vendors of investment data, such as CUSIP, Bloomberg, Thomson Reuters and FT Interactive, have stated their intent to include the LEI as a new field available to their subscribers.

CICIs & CICI Utility; Fees

7. Regarding the NAIC's capturing of the LEI number, would the number entered currently be the CICI given that the LEI initiative is yet to be fully implemented?

Insurers have the option to populate the field with the CICI if they desire. However, as previously noted, the CICI is not an LEI until mutual acceptance has been finalized by the Regulatory Oversight Committee.

8. What happens with the LEIs issued by the CICI Utility before 11/20/12 that do not have the prefix 5493? Will they be reissued?

The Financial Stability Board (FSB), and the CFTC for their purposes, clearly stated that any ISO 17442 compliant LEI will transition successfully into the LEI once the global system is operational. This includes CICIs issued

before 11/20/12, which are being “grandfathered in”, as the ISO standard did not require a specific prefix before that date.

9. If the Regulatory Oversight Committee (ROC) does not formally designate CICIs as LEIs, will the NAIC still consider CICIs to be LEIs for NAIC reporting purposes?

The FSB publicly stated that CICIs will transition successfully into global LEIs. The Regulatory Oversight Committee has reiterated that sentiment. There is no reason to think the CICI will not transition into the global LEI system when mutual acceptance is announced by the Regulatory Oversight Committee. In any case, the NAIC is only accepting the LEI.

10. Is the NAIC the Local Operating Unit (per FSB) for US domestics or FIO or other agency?

No. The CICI Utility is the Local Operating Unit (LOU) in the U.S. and the CICI Utility is the only organization issuing pre-LEIs at this time. The NAIC has no current plans to apply for designation as an LOU.

11. In the information available for each LEI (like Legal Name, Address, etc.), what is the address denoting? Is it the headquarters, or domicile?

LEI has not been implemented and made fully operational. For information purposes, the CICI Utility has a full set of definitions for each of the attributes required for registration. For the address field, the following definition should be used:

- The registered address of the legal entity
- The country of legal formation as represented within ISO 3166

12. Who pays a fee to whom for filing for a new LEI?

There are two options. (1) If an entity registers itself and/or its subsidiaries, the entity pays the \$200 registration fee for each registration. This is referred to as basic self-registration. (2) If an entity obtains explicit permission to register a different, unrelated entity, this is referred to as assisted registration. In this case, the party performing the registration pays the \$200 fee. It is up to that authorized party to determine whether/how they would get reimbursed by the party they assisted.

13. Is the \$200 fee for the entities a one-time fee or is it renewed?

The \$200 fee is the initial registration fee. Thereafter, a \$100 annual maintenance fee must be paid. See the table below for a current fee schedule.

Service	Charge
Self-Registration	\$200
Assisted Registration	\$200
Initial Certification of Third-party Registrations (prior to 16 Nov)	\$100
Annual Certification Maintenance	\$100
Record Challenges	Free

14. What are the fees for assisted registration?

The \$200 fee is the initial registration fee paid by the assisting party. Thereafter, a \$100 annual maintenance fee must be paid by either the assisting party or the entity itself. See the table in question 13 for a current fee schedule.

15. Why would we pay for this if it is not required?

The instructions adopted in August 2012 are clear that insurers are required to report an LEI, if one is available. There is no requirement to obtain an LEI for any entity. Notwithstanding this, LEIs will likely become more and more prevalent in regulatory reporting.

For questions 16 – 24, we only have information for the CICI process since the LEI has not been implemented and made fully operational.

16. What is the “challenge” process, and is there a fee for a challenge?

Challenging a record will trigger a review of the record by the CICI Validation Team to determine the validity of the updated information being submitted. Any user can challenge any entity on the CICI Utility Portal via the Challenge process. These requests will be reviewed for validity. Publicly available authoritative sources should be noted in the comments of the challenge if possible. This will aid the CICI Validation Team in effectively researching the entity record. There is no fee for challenging a record's information. See the table in question 13 for a current fee schedule.

17. Would fees be invoiced? What happens if not paid or re-certified annually?

The CICI Utility does not invoice, but an e-mail is sent to the registered account holder when their annual maintenance fee is due. If the fee is not paid, the record will be retained, but the data will be indicated as stale to signal to users of the data that the record has not be reaffirmed as accurate within 12 months. While this does not mean the data is out of date - the CICI Utility does perform ongoing data quality procedures - it does explain that the entity itself has not re-validated.

18. Please explain "web vs. bulk" registration.

Web registration is simply that. An entity requiring an LEI goes to CICIUtility.org, opens an account and registers for an LEI. However, some entities may need to register more than one legal entity at a time. If 50 or more entities are to be registered, this can be accomplished through an automated registration process called “bulk upload”. Entities desiring to use the bulk upload feature should send an e-mail to bulkupload@ciciutility.org to arrange for the process.

19. How long does it take to be validated and certified after registration?

CICIs are issued seconds after registration. A brief duplication check is made before that issuance. Full validation to public data records is performed by the utility operations team, generally within 24 hours.

20. When reporting LEIs and linking to issuers, counterparties, etc. are there any requirements around the certification of the LEI? Should insurers only use LEIs that are Active and Certified? Or is the fact that they are Active and not Certified ok?

The NAIC does not at this time see a distinction between the certified and uncertified in these initial periods. The CFTC does require certification of CICIs by counterparties subject to its OTC swaps reporting. Over time, more and more CICIs will be certified.

21. Will the daily LEI file have any other (in addition to the LEI itself) unique identifier for use in cross-reference (like CUSIP)?

The daily LEI file does not contain any other identifiers at this time. However, many vendors are providing mapping services to their customers linking other identifiers like the CUSIP, Bank Identifier Codes (BIC) or Avox ID (AVID) to the LEI.

22. How would an LEI be associated with a specific CUSIP/holding? Strictly by the issuer name on the holding?

Within the CGS database, the link between a specific holding (an equity or fixed income instrument with a specific 9-character CUSIP) will be linked to the specific 6-character CUSIP Issuer code, and then to the LEI for that Issuer. The 6-character CUSIP code identifies a broad range of not only Issuers, but also Obligors and Guarantors of financial instruments. For more detailed information, please contact CGS at www.cusip.com or 1-877-287-4737.

23. Does the CICI utility contain CUSIP information too, so we can link CUSIP and LEI? Is there a CUSIP in a bond - namely the first six digits (issuer) - that can be cross-referenced somewhere in this database?

The CICI Utility is not designed to contain CUSIP information; however, the CUSIP Global Services (CGS) database - which many financial industry participants already consume - will provide a link between the LEI and CUSIP identifiers.

The first 6-digits in a CUSIP code provide a unique identifier for the Issuer of a specific bond issuance (the 7th-9th positions will change based on the fungible instrument in question). As referenced earlier in this document, within the CGS database, the link between a specific holding (an equity or fixed income instrument with a specific 9-character CUSIP) will be linked to the specific 6-character CUSIP Issuer code, and then to the LEI for that Issuer.

24. If we're an insurance company that invests in bonds with thousands of different issuers, what would be a good starting point to obtain all these LEIs for the NAIC Investment Schedules electronic only column?

One current starting point for getting an LEI is the CICI Utility. This can be done by going directly to the Utility (www.ciciutility.org) and searching for an existing CICI or by requesting a new CICI be issued. A new CICI can also be requested by leveraging the CUSIP process for assigning LEIs at the same time a CUSIP is requested. Additionally, the CUSIP Global Services database will provide linkage between the CICI and a specific Issuer or Instrument. It is anticipated that many market data vendors will also provide linkages beyond the LEI-CUSIP Issuer/Instrument mappings, including linkage to proprietary &/or other publicly-available identifiers and data.

NAIC Compliance

25. What is the new requirement in the Blanks regarding LEI, starting with the 1st quarter of 2013 filings?

“Add an electronic only column to capture the Legal Entity Indicator (LEI) number for mortgagors, counterparties, depositories and the issuers of stocks and bonds in the detail investment schedules (A, B, BA, D, DA, DB, DL and E) who have been assigned a LEI number.” (Emphasis added for this Q&A). Therefore, the new blanks guidance is for adding an LEI column to all the investment schedules.

26. What is the new requirement in the Annual/Quarterly Statement Instructions?

For all the investment schedules, except Schedule DB, the wording is as follows: "Provide the 20-character Legal Entity Identifier (LEI) for issuer that has been assigned by a designated Local Operating Unit. If no LEI number has been assigned, leave blank." (Emphasis added for this Q&A, and we'll refer to this sentence as "if available" in the subsequent responses).

Note: For Schedule DB, this "if available" clause doesn't exist. This will be changed to be "if available", as well.

27. How does the NAIC expect insurers to report on LEI when it is not yet implemented by the financial industry and no systems accept the data?

There are current requirements in place for use of LEIs in regulatory reporting, specifically, CFTC OTC swaps reporting in the US. The prominence of the LEI is expected to ramp up as other financial regulators around the world meet their G20 OTC derivatives reporting obligations and add requirements for use of the LEI in other types of regulatory reporting. The new NAIC Blanks guidance was exposed for comment in June 2012 and adopted in August 2012 with an effective date of first quarter 2013 to allow for needed infrastructure changes. This will be a critical enhancement in regulatory analytical capabilities, but should also be a substantive improvement to risk management capabilities of companies for the same reasons. As a result, firms with reporting requirements have been actively integrating the LEI into their internal reference data systems in the recent months in anticipation of compliance. Notwithstanding this, the instructions explicitly provide for reporting of the LEI, if available.

28. Since this process is still very new and LEIs are not yet available for all entities, how strict will the NAIC be in reviewing the LEI data on the first quarter filings? Will the NAIC accept companies best efforts in obtaining this information? What is the expectation as to how much time we will have to populate the LEI number for all the financial institutions we do business with (i.e. by end of 1Q, 2Q, 3Q, 4Q?)

The requirement explicitly states "if available". Eligibility is for any entity that enters into financial transactions. It is expected that financial regulators around the world will be adding requirements to report LEIs over the near term. The new guidance does not require insurance companies to obtain an LEI. Compliance is up to state regulators. In support of state regulators, the NAIC will be developing systems to cross check statement filings against lists of available LEIs.

29. What is the current population of LEIs? My understanding is that they are really not available yet except for exchange traded swap transactions.

The CICI utility has been available and there are 47,000 CICI's currently in place that will transition into the global LEI system when mutual acceptance is announced (see earlier section covering CICIs and transition). These CICIs have largely been assigned to entities that transaction in the OTC derivatives markets, not the exchange traded markets.

30. If only counterparties to derivative transactions are now required to file for an LEI, what is the NAIC's expectation regarding the insurance company's ability to include an LEI in all other investment schedules since those counterparties will probably not have an LEI at this point?

Regulators around the world are in the process of developing their requirements for reporting of financial transactions and positions which will be identified using LEIs. The LEI population is expected to grow with that.

31. If non-MSPs (Major Swap Participants) don't have to register for LEIs until 4/10/13, is it fair to assume LEIs are not available for 1st quarter filings and therefore Insurance companies do not have to file 1Q13?

This should not be assumed. There may be non-MSP with CICIs prior to 4/10/2013 if they are counterparties to transactions with swap dealers or MSPs. Swap dealers and MSPs were required to begin reporting by year-end, thus some of their counterparties may have received CICIs as part of the dealers on-boarding or communications activities (Note: dealers are not required to get a CICI for their counterparties). The counterparties themselves have that requirement.) Also, 24,000 CICIs were populated into the CICI Utility as part of the startup work that occurred in early 2012. As a result, it is important to first check the CICI Utility to determine if a CICI exists.

32. Does the NAIC expect insurance companies to obtain LEIs for investments they own or compel investees to obtain a LEI to meet the NAIC compliance requirements? If the counterparty has not filed for an LEI, is the insurance company required to do an "assisted registration" and file on behalf of the counterparty to get an LEI? What do we do if we are a stat filing company and a bond issuer we purchased is not on CICI?

Current guidance stipulates reporting of an LEI "if available". The new guidance does not require insurance companies to obtain an LEI. However, the CICI Utility does provide functionality for a third party to perform assisted registrations, assuming they have explicit permission from the entity. How insurers meet the new guidance is up to them. Compliance is up to state insurance regulators.

33. Would an entity be required to obtain an LEI even though it would not be listed on any of the NAIC Schedules? Specifically, SPE or single asset entities?

Insurers are required to report an LEI for their investments only if one is available. As insurers do not report investments that they do not own, the guidance is not applicable. On the other hand, these other entities may be required to obtain LEIs by other non-NAIC regulatory guidance.

34. I heard that NAIC registrants will be required to integrate the use of LEIs into their ORSA and ERM practices. For March, will documentation acknowledging that pending responsibility be sufficient for NAIC review purposes, or will the NAIC require more?

There is no requirement to integrate the use of LEI into ORSA or ERM practices, as those requirements are not prescriptive in that way. However, companies should expect that evaluations of their risk management include their ability to assess global risk across all investment activities. That is also a specific goal of the LEI.

35. Is this a requirement for existing investments or just new transactions?

While quarterly filings by their nature cover just the new transactions, year-end filing requirements are for all holdings. However, the guidance also includes the proviso "if available".

36. My notes indicate that you may have stated that insurance companies will not be required by NAIC to obtain an LEI for their own company, unless the company is the issuer of a financial transaction. Did I get that correctly?

The guidance adopted does not address insurers obtaining an LEI for their own company. However, it is expected as other financial regulators adopt requirements in the very near future, most, if not all, insurers will face those requirements. Insurance companies that transact OTC swaps transactions subject to CFTC jurisdiction were required to have a CICI by April 10, 2013.

Assets vs. Entities; Special Cases

37. Will the US Treasury get an LEI? Or are US Treasury Notes & Bonds exempt from the LEI requirement? Are some government agencies exempt from obtaining LEIs? I don't see the Government National Mortgage Association (Ginnie Mae) in the CICI database. But the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac) and Sallie Mae are there.

Any legal entity, including various government agencies and departments, is eligible to get an LEI, and there are no explicit exemptions for those aforementioned types of entities. Moreover, insofar as they are counterparties to an OTC swaps transaction, they would be required to obtain an LEI for reporting to the CFTC.

38. If the US Treasury is not exempt, will there just be one (1) LEI for all Notes and Bonds?

Whether there is one or more LEIs for government notes and bonds will depend on the issuer. The LEI will be assigned to the issuer of the bond/note.

39. How does this apply to Single Asset Entities?

Eligibility is based on any entity that enters into financial transactions. This is not affected by the nature of the assets held by that entity.

40. How will companies get LEI indicators for Private Placement Securities and Real Estate, Mortgage Loans or Corporate Joint Ventures? How will we obtain LEIs for non-publicly traded assets?

The process is no different for any kind of entity and exists for any kind of security or investment. Eligibility to obtain an LEI is based on whether or not an entity enters into financial transactions. It has nothing to do with whether or not an asset is registered with the SEC and publicly traded.

41. For LEIs for private placements, where the bond issuer is not planning to obtain an LEI, presumably you can obtain consent from the issuer to obtain the LEI on their behalf (as is required for assisted registration). However, what about EXISTING private placements where the bond issuer doesn't have an LEI and we are no longer in a position to require a consent since the transaction is already completed? Same for commercial mortgage loans.

While it is undoubtedly easier to get an issuer to get an LEI in conjunction with a transaction or some other activity, we do not expect this to be a major problem or impediment over time. Many private placement issuers are either in the market regularly or have other reasons for getting an LEI, e.g. have registration requirements for reporting other transactions (like OTC swaps). In any case, the NAIC requirement is "if available".

42. Regarding Commercial mortgages, would the LEI indicator be that of the borrower or the lender?

The LEI should be for the issuer of the loan or mortgage, so therefore, the borrower (the borrower promises to pay the lender, so is the issuer).

43. Will each mortgage loan show the same unique code on the schedule?

Each individual legal entity will have a unique LEI. If an entity has more than one issue or loan, it will use the same LEI for each issue.

44. When you report on Schedule B (Mortgage Loans) and the entity has less than 50% ownership on the loan, should you produce an LEI on that loan?

This question seems to anticipate that the lender is the issuing entity, which is not the case. The LEI is for the issuing entity (the borrower). The ownership relationships will be a function of hierarchy information in the reference data that is to be developed in Phase 2 of the global LEI process.

45. Many financial transactions are conducted through Single or Special Purpose Entities (SPEs), especially mortgage loans. These entities already have EINs as an identifier. Are the requirements looking to get a new LEI identifier for these SPE entities or is it to get LEIs for the parent companies?

The LEI is not the EIN. Also see the response to question 46 below.

46. In regards to Schedule B loans, all of our borrowers are SPEs and there could be several different owners of these SPEs (the sponsors). Do we get an LEI number on the SPE? If so, how does this help the NAIC track the activity of the true sponsor when the SPEs are unique to only one loan transaction and do nothing else? If we need to get the LEI on the sponsor then what do we do when there are multiple sponsors?

For the reporting requirements recently adopted by the NAIC, the LEI is for the SPE, which is the legal borrower. It is important to distinguish between legal entities and what is viewed as the supporting obligors or sponsors. The LEI is for the legal entity issuing the bond, loan, etc. That is the requirement of the NAIC. This is already an improvement to current reporting since there has not been a similar unique identifier prior to the LEI. The development of reference data will over time reach to sponsors and credit backstops.

47. Someone asked if they could do a bulk filing for mortgages. What does that mean? Would each loan on schedule B have the same unique identification loan?

Each loan will have its one unique LEI only to the extent that each loan is issued by a different legal entity. Insurers will have the ability to obtain LEIs for all of the mortgagors represented in their portfolio similar to the CICI Utility's bulk upload capacity for CICIs (assuming they are entities and not individuals).

48. I have a question specific to Schedule A on real estate holdings. We are a bit unsure as to the LEI that is supposed to be included. For example, if we are the owners of a property, do we put our own LEI on the schedule next to that property? How about on a ground lease? Do we include the LEI for a major tenant?

In most cases, to limit liability, insurers invest in real estate via partnerships or some other intervening legal entity. The LEI should be for that entity. In some instances the insurer directly holds title to the property, as opposed to through some intervening legal entity. For those cases, the NAIC will be recommending to the Blanks Working Group that the field should be completed with the notation DOTWIL, standing for Directly Own Title Without Intervening Legal Entity.

49. We own some municipal bonds that have a public company as the obligor. Do you anticipate that the legal entity would be the public company or the municipality?

The LEI should be for the entity issuing the bonds. So, if the municipality is the issuer, the LEI should be for the municipality.

The point of the LEI itself is to establish a common nomenclature, not on its own to assign risk. If the obligor is not the actual issuer of the bonds, that relationship will eventually be determined by associated reference data. Definitions and determinations of who is the "credit" behind a bond can be complex in some cases. That is not the point of the LEI.

50. Are insurers required to report LEIs for the insurance and reinsurance entities on Schedule F?

Schedule F is currently not in scope of the new LEI-related requirement.

51. How does this apply to those trading bonds and equities as portfolio managers for insurance companies?

Assuming this is related to external asset managers, how those portfolio managers are involved will depend on their individual agreements with the insurer as to what documentation they are required to provide the insurer for the activities they engage in on behalf of the insurer.

52. If you are not the legal issuing entity, will you need to identify the LEI on your schedules? Example: we currently have several LLCs or LPs on Schedule BA but we will not be legal issuing entity as we are only a 5% owner in these.

The LEI is for the issuing entity like the LLCs and LPs themselves, not the owners of the LLC or LP.

53. Several of our clients have inquired about how and where to obtain LEIs for their individual and other non-corporate borrower types, i.e. churches or community groups. Since this information is required for Schedule B reporting they are searching for answers as the currently available instructions do not provide that guidance.

While individuals/natural persons are not eligible to get an LEI, legal entities like churches are eligible. See question 6 on how to get an LEI.

54. Can you confirm that an insurance company that maintains insulated separate accounts would not obtain an LEI, the theory being that the separate account is not a separate legal entity.

The new LEI requirement addresses the investment schedules (A, B, BA, D, DA, DB, DL and E). Separate accounts are not listed on the investment schedules.

55. Would the insurance company have to get the LEI for affiliated companies?

If the affiliate were entering into transactions that need to be listed on any of the investment schedules, then it would make sense that they obtain an LEI.

Questions can be sent to the Capital Markets Bureau at CapitalMarkets@naic.org