

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Commission Public Consultation on the Review of Prudential Rules for Insurance and Reinsurance Companies (Solvency II)

October 2020

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Commission Public Consultation on the Review of Prudential Rules for Insurance and Reinsurance Companies (Solvency II). GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the Solvency II framework and its benefits for more effective supervision.

First, GLEIF would like to respond “*Question 11: From the point of view of policyholders, would it be acceptable to waive Solvency II requirements to insurance companies that belong to a group, if the group as a whole is subject to “strengthened” supervision? Please explain your reasoning for your answer to question 11 (if needed). In particular, please specify what a “strengthened” group supervision would encompass*”.

The Solvency II Directive Article 41 sets out that “*The supervisory authorities shall have appropriate means, methods and powers for verifying the system of governance of the insurance and reinsurance undertakings and for evaluating emerging risks identified by those undertakings which may affect their financial soundness*”.

GLEIF suggests that strengthened supervision only can be achieved if supervisory authorities can obtain granular and standardized information relative to intra-group structures. Uniform disclosure requirements enable authorities to identify and compare insurance companies and their group structures. However, disclosure requirements can only be harmonized to the extent that they rely on common standards and templates.

As European Systemic Risk Board has set out in its [report on macroprudential policy for the insurance sector](#), the concept of “systematically important” could be transposed into the Solvency II for insurance groups. The Commission could consider, similar to banking groups, disclosure of group structure via the LEI of all consolidated insurance companies in the group as part of the disclosure requirements. The full disclosure of the group can help supervisory authorities to evaluate the size of the group, importance for the economy, complexity, degree of interconnection with other insurance companies and financial institutions. GLEIF would like to share an LEI record of an insurance company (Swiss Re AG) for displaying how the group structure looks like in the Global LEI System:
<https://search.gleif.org/#/record/529900PS9YW3YY29F326>

The LEI code connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions including their ownership structure. Moreover, the LEI provides freely accessible look up (identification) of the parties to transactions. The complete database of LEIs and the associated LEI reference data is available free of any charge or barrier to anyone on the web. GLEIF operates under the Open Data Charter terms, which means the data can be used by all users without limitations.

Currently, the LEI is requested either on an optional or if available basis under [Solvency II Disclosure Requirements \(S.01.02 — Basic information\)](#). For example, for identification of the undertaking, the reporting entity can report either (i) the LEI of the undertaking or (ii) the identification code used in the local market, attributed by the supervisory authority.

As stated by the Commission in this Public Consultation, GLEIF is aware that the EIOPA aims to standardize data and make the reporting framework consistent between other reporting frameworks within the financial sector. GLEIF has already provided its input for the EIOPA's Public Consultation for Solvency II 2020 Review Package on Supervisory Reporting and Public Disclosure in October 2019. That being said, GLEIF would like to reiterate to the Commission the significance of data harmonization for strengthened supervision and invites the Commission to consider a clear LEI mandate to identify all entities relevant in the Solvency II framework.

GLEIF would also like to bring to European Commission's attention the [European System Risk Board's \(ESRB\) recent Recommendation](#) on identifying legal entities. Specifically, the ESRB recommends that relevant authorities require all legal entities involved in financial transactions under their supervisory remit to have an LEI. Including the LEI in the Solvency II framework is an opportunity to comply with this recommendation.