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The Omnibus II Directive

Presentation to Gibraltar Insurance Association

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The Omnibus II Directive

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 - Transitional Provisions
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Omnibus II Directive Timeline

- Proposal for a Directive issued on 19 January 2011
- Final Directive text expected June 2011
- Adoption of Directive expected before end of 2011



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European Insurance and Occupational Pensions Authority

- Successor to CEIOPS
- One of three European Supervisory Authorities
- Goals
 - Protect consumers
 - Consistent level of regulation and supervision in EU
 - Harmonisation of rules for financial institutions and markets in the EU
 - Strengthening oversight of cross-border groups.
 - Promote coordinated European Union supervisory response.



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EIOPA Powers

1. Temporarily ban / restrict activities
2. Develop draft technical standards
3. Issue guidelines and recommendations
4. Investigate breaches of EU law
5. Require action in emergency situations
6. Settle cross-border and cross-sectoral disputes between authorities
7. Contribute to colleges
8. Issue opinions to EU institutions
9. Develop common methodologies for assessing products and their distribution
10. Provide central database of firms



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Transitional Provisions

- Transitional provisions to ensure smooth transition to Solvency II regime
- Omnibus II defines the European Commission's powers. It does not specify whether they will be used.
- The proposal does **not** mean:
 - there will be transitional provisions in all the areas mentioned;
 - the maximum period allowed for will be applied;
 - there will be a delay of up to 10 years for the implementation of the Directive.
- Where allowed the default will be no less than the minimum under the Solvency I regime



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The Transitional Measures

- Three years:
 - Systems and policy regarding supervisory reporting
 - Governance
 - Public reporting
- Five Years – Equivalence
- Ten years
 - Valuation of assets and liabilities
 - Calculation of technical provisions
 - Tiering of own funds
 - Transitional SCR – 50% of SCR + MCR



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Amending Level 2 empowerments

- Directive foresees that EIOPA will be required, by December 2011, to draft binding technical standards in various areas such as:
 1. Transparency and accountability of supervision
 2. Supervisory disclosure
 3. Capital add-ons
 4. Solvency and financial condition report
 5. Valuation of assets and liabilities other than technical provisions: quoted market prices not available
 6. Valuation of assets and liabilities other than technical provisions: international accounting standards not consistent with the S2 valuation approach
 7. Valuation of technical provisions



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Amending Level 2 empowerments

8. Own funds: Procedure for granting supervisory approval
9. Own funds: classification methods
10. Own funds: adjustments in relation to ring-fenced funds
11. Solvency capital requirements
12. Internal models: approval of full and partial models
13. Internal models: integrate a partial internal model into the SCR standard formula
14. Internal models: Tests and Standards
15. Special purpose vehicles: supervisory approval
16. Cooperation and exchange of information between supervisory authorities
17. Group solvency and financial condition report



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Absolute floor of MCR

- Article 129(1)(d)(iii)
 - €3.2m for reinsurance undertakings, except
 - €1.1 m for captive reinsurance undertakings



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Solvency II Implementation Date

- Member States shall
 - adopt and publish the laws, regulations and administrative provisions necessary to comply with relevant sections of the Solvency II Directive by 31 December 2012
 - apply those provisions from 1 January 2013
- Relevant current Directives are repealed with effect from 1 January 2013