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Press release | 21.03.2012

Solvency II / Omnibus II

Lobby Festival in the European Parliament

The Lisbon treaty, the new European supervisory authorities and the experiences of the financial crisis have all required changes to be made to the European insurance industry's legislative framework (Solvency II). The so-called Omnibus II directive was drafted to implement those adjustments. This file was then blocked in Council and Commission for a long time, because of divergent interests of the respective insurance groups. Finally, the wishes of the member states were included in a big package deal in the Commission proposal “Omnibus II” and the corresponding draft implementing measures. The Economic and Monetary Affairs committee today voted on the European Parliament’s position (Balz report, CDU/EPP).

Sven Giegold, Green shadow rapporteur and spokesperson in the Economic and Monetary Committee (ECON) declared:

"Today was a good day for the insurance lobby and a bad day for policy holders and tax payers. The insurance lobby managed to obtain the confirmation of all the concessions it had already obtained from Commission and Council. The European Parliament failed to overcome regulatory capture by divergent national business interests and failed to develop a truly European crisis response for the insurance industry. The “Omnibus II” deal in the European Parliament is even less ambitious than the Commission and Council positions.

"For example, the protection of policy holders was weakened through a series of measures. The matching premium is tailor-made for UK and Spanish insurers.. The counter cyclical premium (CCP) pleases French and Italian corporations. A totally unjustified treatment of participations will generate profits for Italian insurance corporations. The new extrapolation rules are welcomed by German life insurers. All the changes to the Solvency II framework are not impact assessed and are therefore an example of bad legislation. The reduction in technical provisions will likely exceed €100bn.

"The legislative process was a case study in the dominance of vested interests of financial lobbies over general interests of consumer protection, financial stability and tax payers. The rapporteur and the majority of shadow rapporteurs including the Greens were on track for a compromise balancing justified industry interests and the common good. Academic advice supported a critical position on the matching premium. The European Systemic Risk Board (ESRB) warned against the CCP as unsymmetrically lowering technical provisions in bad times without building reserves in good times. But the Socialist shadow Skinner (undisturbed by his group), the ECR shadow Fox and the insurance lobby of Spain, Italy and the UK, helped by their

respective governments, managed to turn majorities around along national lines. Consumer organizations and unions were totally absent on this highly technical dossier with nevertheless major consequences for the lives of ordinary citizens. Finally, the rapporteur, socialist and liberals agreed with a compromise that pleased all key national vested interests. Good regulation in a social common European market was clearly not guiding the majority.

"A truly black day for everyone who hopes that the European Parliament could overcome national interest-driven regulatory capture in the financial industry."

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Responsible MEPs

Sven Giegold

Member

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