

CMS România | EIOPA releases annual report on sanctions under IDD in 2021



On 20 December, the European Insurance and Occupational Pensions Authority (EIOPA) released the annual report on sanctions imposed by national competent authorities under the Insurance Distribution Directive (IDD) in 2021.

According to the Report, in 2021 national competent authorities (NCAs) in 18 reporting member states imposed sanctions under the IDD framework, which resulted in a total of 1,621 sanctions.

Fines of an aggregate value of EUR 351,175 were reported (except for Germany for which the overall amount of the fines imposed in 2021 was not provided).

The top three countries by the highest number of applied sanctions includes Germany (with 1,132 sanctions); France (with 152 sanctions); and Italy (with 110 sanctions). Interestingly, the overall number of sanctions decreased in 2021 compared to 2020 and 2018-2019.

1. Breach of the IDD provisions

Concerning breaches resulting in sanctions, the Report reveals that most of the sanctions referred to breaches related to Article 10 (Professional and organisational requirements) of the IDD, as follows:

IDD relevant provision (Article 10)	Number of sanctioned breaches in 2022
Article 10(1) - Professional and organisational requirements – appropriate knowledge and ability	77
Article 10(2) - Professional and organisational requirements – continuing professional training and development	666
Article 10(3) - Professional and organisational requirements – good repute	61

Article 10(4) - Professional and organisational requirements –

426

professional indemnity insurance

Article 10 - Professional and organisational requirements – other

57

The above shows that the most sensitive area from a compliance perspective is related to professional training and development requirements, and the conclusion of professional indemnity insurance.

In addition to breaches related to Article 10 of the IDD, it is worth mentioning the additional IDD provisions whose non-observance resulted in sanctions, especially in relation to compliance formalities for accessing the profession, complaints, requirements related to conduct of business and customer information, or suitability assessments:

IDD relevant provision	Number of sanctioned breaches in 2022
Article 3 (Registration)	201
Articles 14 (Complaints), Article 15 (Out-of-court redress), Article 16 (Restriction on use of intermediaries)	13
Article 17 (General principle), Article 18 (General information provided by the insurance intermediary or insurance undertaking), Article 19 (Conflicts of interest and transparency), Article 20 (Advice and standards for sales where no advice is given), Article 23 (Information conditions), Article 25 (Product oversight and governance requirements), Implementing Regulation 2017/1469 and Delegated Regulation 2017/2358	280
Article 27 (Prevention of conflicts of interest), Article 28 (Conflicts of interest), Article 29 (Information to customers), Article 30 (Assessment of suitability and appropriateness and reporting to customers)	32
Article 33 (Breaches and sanctions and other measures)	2

2.Types of sanctions

While most of the applied sanctions were of an administrative pecuniary nature (735), in 2021 NCAs also applied other sanctions, such as: withdrawal of registration (533); and other administrative sanctions and measures (164), orders to cease and desist (92), and public statements (23).

3. Conclusions

The Report offers certain insights to the market in relation to the approach of NCAs when they assess compliance with the requirements of the national framework transposing the IDD. It is notable that NCAs do not avoid the application of radical measures such as withdrawal of registration or orders to cease and desist. Also, the lack of compliance, which triggered the application of sanctions, relate mainly to non-compliance with the provisions of Article 10 of the IDD (Professional and organisational requirements).

For information on the **EIOPA's** Report and how it could affect your business, contact your usual CMS contact or local experts: **Cristina Popescu** and **Florentin Giurgea**.