ICP 1 Objectives, Powers and Responsibilities of the Supervisor

Each authority responsible for insurance supervision, its powers and the objectives of insurance supervision are clearly defined.

1.0.1 Publicly defined objectives foster transparency. Based on this, government, legislatures and other stakeholders, including insurance industry participants and consumers, can form expectations about insurance supervision and assess how well the supervisor is achieving its objectives and fulfilling its responsibilities.

1.0.2 Responsibilities and objectives of the supervisor should be stable over time. However, if those responsibilities and objectives are periodically updated, it should be done in a manner that avoids creating an unstable environment, as a stable business environment is important for the insurance market and consumer confidence. Objectives and key aspects of the supervisor responsibilities should be defined in primary legislation to the extent that it needs the effect of law. Aspects that should undergo frequent updating due to environmental changes should be supplemented as needed with updated legally enforceable rules and guidance.

1.1 Primary legislation clearly defines the authority (or authorities) responsible for insurance supervision.

1.1.1 Primary legislation should clearly define responsibilities of each authority involved in insurance supervision at the insurance legal entity level as well as the group-wide level.

1.1.2 Institutional frameworks for insurance supervision vary across jurisdictions. For example, there may be separate authorities for prudential and market conduct supervision, for macro and micro prudential supervision, for licensing and ongoing supervision, and resolution.

1.1.3 Where there are multiple authorities responsible for insurance supervision, the institutional framework and the main responsibilities of the respective authorities should be clearly set out in primary legislation.

1.2 Primary legislation clearly defines the objectives of insurance supervision and the principal objectives are, at least, to:

- **protect policyholders;**
- **promote the maintenance of a fair, safe and stable insurance market; and**
- **contribute to financial stability.**

1.2.1 The precise supervisory objectives may vary by jurisdiction depending on the level of development of the insurance markets, market conditions and consumers. Supervisory objectives could also include promoting insurance market development, financial inclusion, financial consumer education, and contributing to fighting financial crime.

1.2.2 The policyholders to be considered in defining supervisory objectives include past, present and future policyholders.

1.2.3 Depending on the evolution of the jurisdiction's insurance or financial markets, the supervisor may emphasise temporarily one or more of the objectives. Regardless, the supervisor should take into account the other objectives in fulfilling its function. In such circumstances, this should be explained to stakeholders, including insurance industry participants and consumers.

1.3 Primary legislation gives the supervisor adequate powers to meet its responsibilities and objectives.

1.3.1 Primary legislation should give the supervisor the necessary powers to achieve its responsibilities and objectives, and the ability to take supervisory action adequately. The supervisor should have the powers needed to implement a framework for effective insurance supervision, which is described by the ICPs in general.

1.3.2 Legislation should clearly address insurance legal entity and group-wide supervision and provide the supervisor with sufficient powers to achieve the respective responsibilities and objectives.

1.3.3 The supervisor should have sufficient powers in place to perform the role of a group-wide supervisor, including coordination and collaboration with other relevant supervisors. Additionally, it is important that legislation supports the supervisor of an insurance legal entity which is part of a group to appropriately contribute to the supervision of that group on a group-wide basis.

1.4 The supervisor initiates or proposes changes in legislation where current responsibilities, objectives or powers are not sufficient to meet the intended supervisory outcomes.

1.4.1 It is important that supervisory responsibilities, objectives and powers are aligned with actual challenges faced by the insurance market to effectively protect policyholders, maintain a safe and stable insurance market and contribute to financial stability.

1.4.2 Market changes can mean that the legislation is no longer adequate for the supervisor to achieve its intended outcomes. The supervisor may identify changes in the economy, society or environment in general that affect the fairness, safety or stability of the insurance market that are not currently or sufficiently addressed by legislation. When the supervisory outcomes may not be achieved with the current legislation, the supervisor should initiate or propose changes in legislation.

1.4.3 Likewise, responsibilities, objectives and powers assigned by primary legislation to the supervisor may become out of date or no longer necessary. In such circumstances, the supervisor should initiate or propose changes in legislation.