

Chapter 1

Commission Delegated Regulation (EU) 2018/959

Article 40 Insurance risk mapping process

(1) For the purposes of assessing that the insurance coverage relates to an institution's risk profile, as referred to in point (i) of Article 36(d), competent authorities shall confirm that an institution has carried out a well-documented and well-reasoned insurance risk mapping process whereby the institution develops an insurance coverage consistent with the likelihood and impact of all operational risk losses that it may potentially face.

(2) For the purposes of paragraph 1, competent authorities shall confirm that the institution complies with at least the following:

(a) estimates the probability of insurance recovery and the possible timeframe for the receipt of payments by insurers, including the likelihood of a claim being litigated, the length of that process and current settlement rates and terms, based on the experience of its insurance risk management team, supported where necessary by appropriate external expertise including claims counsel, brokers and carriers;

(b) uses the estimates resulting from point (a) to assess the performance of insurance in the event of an operational risk loss and designs this process with the view to assessing the insurance response for all relevant loss and scenario data being entered into the operational risk measurement system;

(c) maps the insurance policies based on their assessment resulting from point (b) to the institution's own operational risks at the maximum level of detail, using all the information sources available, including internal data, external data and scenario estimates;

(d) employs the appropriate expertise and conducts this mapping with transparency and consistency;

(e) assigns the appropriate weight to the past and expected performance of insurance through an assessment of the components of the insurance policy;

(f) obtains formal approval from the appropriate risk body or committee;

(g) periodically re-examines the insurance mapping process.