



FINANCIAL
STABILITY
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Sound Practices for Responsible Adoption of Artificial Intelligence (AI): Consultation report

Response to Consultation

Gesamtverband der Deutschen Versicherungswirtschaft e.V.

1. Do you agree with the benefits and risks of AI adoption by financial institutions described in this report? Are there any substantive benefits or risks not covered?

In general, the report focuses primarily on the risks associated with the use of AI. It would be useful to develop a more opportunity-oriented approach that encourages the use of new technologies in an innovative way. The use of AI in the insurance industry offers significant potential for automating processes, reducing costs, and making personalized offers to customers.

2. Are the sound practices sufficiently comprehensive and clear to enable financial institutions' responsible AI adoption?

These best practices cover the entire life cycle and can therefore help companies in their use of AI.

However, it is unclear how the practices relate to the requirements set out in the AI Act of the European Union. It is questionable whether these best practices are intended to facilitate the operational implementation of the legally binding requirements or whether they are intended to be further guidelines that should be considered.

It is clarified that they are not binding and are not intended to set an international standard. The legal nature of these best practices remains unclear.

Regardless of this, the best practices set out by the FSB should be consistent and aligned with existing legal requirements.

Under no circumstances should these differ or even set out stricter requirements. Against this background, it is problematic that the best practices distinguish between risk profiles and the materiality of the AI application. Materiality is intended to take into account the significance of the AI use cases for the respective company, whilst the risk profile relates to the potential for harm to the company and its customers. Whereas the AI Act classifies AI systems according to risk categories and considers the threat to the life, health or fundamental rights of individuals, entirely new categories and legally protectable interests are introduced here.

Another problem is that the best-practice guidance applies to all AI, whereas the AI Act only sets out high requirements for high-risk AI.

3. **Do the sound practices strike an appropriate balance between managing risks relating to all forms of AI, and addressing some of the risks relating to emerging and new complex forms of AI, such as GenAI and agentic AI?**

The focus is primarily on the risks, rather than the opportunities, of agent-based AI. Additional requirements are outlined that are based solely on the technology and not on the specific use case. Instead of regulating the technology itself, the focus should be on evaluating the risk of each specific application. Even in the case of new technological advances, the specific application should be the deciding factor; the technology should not be regarded as high-risk simply because of its nature.

4. **Are the sound practices sufficiently flexible to accommodate and address newer types of AI and responsible adoption over time?**

The non-binding nature of these best practices allows flexibility in their application.

5. **Do the case studies in this report sufficiently highlight how different types of financial institutions can benefit from responsible AI adoption? Are there additional case studies for inclusion in the report? If so, please provide such case studies, particularly for nonbanks.**

The case studies mainly refer to AI applications in the banking sector.

6. **Do the case studies in this report provide actionable insights for financial institutions in their responsible AI adoption?**

No answer

7. **Are the definitions in the glossary clear and aligned with industry sound practices, including recent developments in AI?**

The definitions used in the report do not correspond to those in the AI Act; in particular, the report does not follow the AI definition of the AI Act, which is in any case still the subject of highly controversial debate. It is essential to avoid a broad definition:

Only those AI systems that are capable of performing highly complex tasks and functions independently from human intervention and without explicitly being told how to behave in certain situations fall under the definition of AI. set out in Article 3(1). This creates a clear distinction from simple and conventional software systems and programming approaches, which are based exclusively on rules defined by natural persons for the automatic execution of operations. Examples of such software systems or programming approaches from the insurance sector, which accordingly do not fall under the AI definition, include:

- Classic expert systems that can be used in the health insurance sector. These are basic sets of rules that evaluate a specific case, the results are always the same according to the predefined rules and there is no automatic further development of the system.

- Generalised Linear Models (GLMs), which are distinguished from AI in terms of their complexity and autonomy. They require human intervention in data selection, model selection and interpretation of the results. In addition, these models are not so-called 'black boxes', as the influence of the characteristics on the model result can be determined transparently, using the model parameters.

- Logistic regression as a special case of generalised linear models, which are also characterised by low complexity and high interpretability. As a result, the risk of unexpected behaviour is significantly lower with logistic regression than with neural networks.

Traditional statistical methods do not constitute artificial intelligence as defined by the AI definition. These include algorithms that do not involve any form of machine learning or self-optimisation. Nor do linear models, supporting methods from the field of explainable AI, established statistical methods (e.g. logistic regression) or common statistical methods such as Generalised Linear Models (GLMs) meet the criteria of the AI definition.

8. Are there any comments you would like to make on this report? Please fill in.