FSB FINANCIAL STABILITY BOARD

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

Response to Consultation

Global Federation of Insurance Associations (GFIA)

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?**

GFIA broadly agrees with the benefits and risks identified in the report.

The report appropriately highlights efficiency gains and improved customer service, enhanced risk management capabilities, and potential systemic risks such as third-party dependencies and concentration in a small number of AI and cloud providers.

GFIA welcomes the balanced presentation of both benefits and risks. Balanced framing is essential to support responsible innovation and avoid unintended disincentives to adopt beneficial AI applications.

However, the report could be strengthened by further recognising insurance-specific benefits, such as improved risk assessment, claims processing, and financial inclusion. Another important point for GFIA would be for the paper to more explicitly acknowledge that, while some AI risks could potentially be new or amplified, (possibly agentic AI), many are extensions of existing model, operational, data governance, and other risks already managed by insurers.

Regarding systemic risks, GFIA recognises their importance, but notes that further evidence may be needed to assess the extent to which some risks (e.g. correlated behaviour) could materialise in practice.

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

GFIA considers the sound practices to be comprehensive, covering both governance and lifecycle aspects of AI adoption; and clearly structured, particularly through the organisation-wide and lifecycle-based approach.

The lifecycle approach (from inception to retirement) is a useful tool for structuring risk management processes. However, GFIA notes that the level of detail in some areas could, in practice, lead to de facto prescriptive expectations. Furthermore, there is a need to ensure that institutions retain flexibility to apply existing frameworks proportionately and avoid creating unnecessary and duplicative compliance burdens.

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?

GFIA supports the FSB's technology-neutral approach, which is appropriate given the rapid pace of AI development. The report broadly strikes a reasonable balance between risks associated with traditional AI and those linked to emerging technologies such as generative and agentic AI.

However, GFIA encourages caution against over-emphasising emerging risks that are still evolving and setting expectations that may be difficult to operationalise at an early stage of technological development. Supervisory and policy approaches should in GFIA's view remain risk-based, proportionate, and adaptable over time.

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

GFIA strongly agrees that flexibility is essential. We particularly welcome that the sound practices are explicitly non-binding. They are intended to evolve alongside technological developments, and they allow institutions to adapt them to their business models and risk profiles.

To maintain this flexibility, GFIA encourages avoiding overly frequent revisions that may create uncertainty and supporting ongoing dialogue between supervisors and industry, which is essential in a rapidly evolving field.

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 in the report are helpful in illustrating how institutions can implement responsible AI practices. We note that the majority of examples are drawn from banking and capital market contexts and therefore insurance-specific examples are limited.

Additional case studies that reflect insurance use cases, such as underwriting and pricing, claims handling, fraud detection, and risk prevention and mitigation, could be useful in that regard.

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

The case studies provide useful illustrations of practices in larger or more advanced institutions. However, their practical applicability for smaller or less complex firms is more limited. Further examples could better illustrate proportionate implementation.

GFIA encourages the inclusion of case studies demonstrating simplified governance approaches, and scalable implementation tailored to different sizes and levels of complexity.

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

GFIA welcomes the effort to provide a glossary and promote consistency in terminology.

However, the FSB definition of AI-system is currently too broad and risks capturing other predictive models used in insurance such as linear regression, actuarial pricing models and traditional statistical scoring models.

GFIA considers it important to maintain a clear distinction between AI systems (including machine learning and adaptive systems) and traditional statistical models, which are well understood and already subject to established regulatory frameworks. Greater clarity or illustrative examples would help distinguish between traditional, well-understood models and AI systems.

Furthermore, the FSB definition of Explainability is fine in itself, but is currently framed as a general expectation across AI systems. Although the report embraces the concept of compensating controls, from the Insurance Industry we would like to see clearer recognition that certain use cases (e.g. fraud detection) legitimately prioritise performance over explainability.

In the glossary, it would be clearer to include separate definitions for AI Agents and Agentic AI, given the conceptual differences between the two terms.

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

The Global Federation of Insurance Associations (GFIA) appreciates the opportunity to provide comments on the Financial Stability Board (FSB)'s consultation report on Sound Practices for Responsible Adoption of Artificial Intelligence.

GFIA and its members strongly support the responsible and risk-based adoption of AI in financial services. Insurers have a long history of using data-driven models and operating within robust governance, risk management, and regulatory frameworks. These frameworks provide a strong foundation for managing AI-related risks.

GFIA welcomes the FSB's effort to develop a high-level, principles-based and non-binding framework that supports responsible AI adoption across the financial sector while preserving flexibility and proportionality.

General observations

GFIA would like to highlight the following key overarching points:

■ Balanced approach: The report appropriately recognises both the benefits and risks of AI adoption, which is essential to avoid discouraging innovation and the delivery of consumer benefits.

■ Principles-based framework: We welcome the FSB's intention to provide a non-prescriptive "menu of sound practices", allowing financial institutions to tailor approaches to their specific risk profiles and use cases.

■ Proportionality and flexibility: The explicit recognition of proportionality is particularly important given the diversity of financial institutions and AI use cases.

■ Use of existing frameworks: Many AI-related risks are already addressed within existing governance, model risk, and risk management frameworks. It is therefore important that new guidance builds on, does not duplicate, and is consistent with these frameworks.

[Potential Additional Insurance Use Case]

In order to support the use cases in the report, included below is one example of an insurance

use case.

An insurer applied its AI governance framework and responsible AI principles when implementing a GenAI solution for customer support. This use case aligns with the organisation's broader strategy of combining technology with human oversight by improving customer support while maintaining appropriate governance, accountability, and oversight. The AI governance structure is designed to align with board-level direction and provide reporting through established oversight channels. Because the solution is customer-facing, it was treated as a higher-risk AI use case and subject to enhanced review before deployment. The use case was submitted through the AI intake process, reviewed against relevant risk frameworks, with a summary shared with the business area and the executive-level committee. Approval was granted only after identified risks were addressed, demonstrating the value of the approach where governance requirements are tailored to the materiality, complexity, and risk of the AI use case.

The implementation included controls across relevant governance areas, including transparency, performance monitoring, human oversight, cyber risk, and third-party risk. For example, the solution's approved knowledge sources were reviewed to ensure that the AI system operated within a defined scope and relied on accurate, reliable, and secure information. Users are informed when they are interacting with AI, and outputs are monitored to confirm the solution continues to operate as intended. This use case demonstrates that responsible AI adoption can be both practical and scalable. Not all AI solutions require the same level of governance, but customer-facing or higher-risk applications warrant enhanced review, validation, monitoring, and oversight.

[Suggested Additional Source of Information]

The recent Financial Services AI Risk Management Framework – Cyber Risk Institute should be considered for reference by the FSB, according to a GFIA Member. They find it to be useful guidance that had significant industry input.

[Conclusion]

GFIA supports the FSB's initiative and welcomes its principles-based, flexible and proportionate approach. We believe the proposed principles with the comments above and the additions we suggest will serve as a strong and effective framework for responsible use of AI by insurers.

We encourage the FSB to:

■ further specify its AI definition in order to make a distinction between true AI systems and other predictive models used in insurance;

■ maintain a strong focus on proportionality and flexibility;

■ continue recognising the role of existing regulatory and risk management frameworks, and;

■ further reflect sector-specific considerations, including for (re)insurers.

A balanced and adaptable framework will be key to ensuring that AI can be deployed responsibly while enabling innovation, enhancing customer outcomes, and supporting financial stability.

GFIA much appreciates the collaborative approach followed by the FSB and looks forward to further engagement and dialogue.

22 July 2026

GFIA Response to the FSB Consultation on Sound Practices for Responsible Adoption of Artificial Intelligence

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- **Use of existing frameworks**: Many AI-related risks are already addressed within existing governance, model risk, and risk management frameworks. It is therefore important that new guidance builds on, does not duplicate, and is consistent with these frameworks.

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Responses to consultation questions

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GLOBAL FEDERATION OF INSURANCE ASSOCIATIONS

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Contacts

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About GFIA

The Global Federation of Insurance Associations (GFIA), established in October 2012, represents through its 46 member associations and 3 observer associations the interests of insurers and reinsurers in 73 countries. These companies account for 89% of total insurance premiums worldwide, amounting to more than $4 trillion. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.