

Commissioner's Bulletin # B-0003-26

June 12, 2026

To: All regulated entities and their agents and representatives

Re: Use of artificial intelligence

TDI reminds all regulated entities that decisions or actions impacting consumers that are made or supported by advanced analytical and computational technologies, including artificial intelligence (AI), must comply with all applicable insurance laws and regulations. This includes laws that address unfair trade practices and unfair discrimination.

This bulletin sets forth TDI's expectations as to how regulated entities will govern the development, acquisition, and use of AI technologies in their operations. These expectations extend to any third party working with a regulated entity and are designed to protect Texans' privacy and interests, ensure freedom from unfair discrimination, and promote the knowledge and development of ethical AI systems. This bulletin also advises regulated entities of the type of information and documentation that TDI may request during an investigation or examination.

Background

While regulated entities continuously adopt new tools for efficiency, AI has the potential to create significant and rapid market change. As the use of AI becomes more prevalent, TDI expects that decisions made and actions taken using AI will comply with all applicable laws and regulations.

TDI's primary interest in regulated entities' use of AI is consumer protection. With that goal in mind, TDI recognizes the [Principles on Artificial Intelligence](#), adopted by the National Association of Insurance Commissioners in 2020, as an appropriate guide in AI's development and use. TDI also recommends companies review the [AI Code of Ethics and Minimum Standards](#) adopted by the Texas Department of Information Resources for use by state agencies.

Legislative Authority

TDI expects regulated entities to comply with all applicable laws and regulations when using AI, including the following:

- **Unfair Trade Practices:** Texas Insurance Code [Chapter 541](#), concerning Unfair Methods of Competition and Unfair or Deceptive Acts or Practices, regulates trade practices by (1) defining practices that constitute unfair methods of competition or unfair or deceptive acts and practices, and (2) prohibiting these practices.
- **Unfair Claims Settlement Practices:** Texas Insurance Code [Chapter 542](#), concerning Processing and Settlement of Claims, sets forth standards for the investigation and disposition of claims arising under policies or certificates of insurance issued to residents of Texas.
- **Unfair Discrimination:** Texas Insurance Code [Chapter 544](#), concerning Prohibited Discrimination, prohibits refusing or limiting coverage on the basis of race, color, religion, national origin, age, gender, marital status, geographic location, or disability.
- **Corporate Governance Annual Disclosure:** Texas Insurance Code [Chapter 831](#), concerning Corporate Governance Annual Disclosure, requires reporting on governance practices and corporate governance structure, policies, and practices.
- **Deceptive, Unfair, and Prohibited Practices:** Texas Insurance Code [Chapter 560](#), concerning Prohibited Rates, requires that rates must be just, fair, reasonable, and adequate.
- **Official Acts by Insurance Agents:** Texas Insurance Code [Chapter 4001](#), concerning Agent Licensing in General, requires that certain acts may be taken only by a person who holds a license or certificate of authority to act as

an agent. Official acts of an agent include soliciting or receiving an application for insurance, examining or inspecting a risk, collecting or transmitting an insurance premium, or otherwise aiding in the transaction of the business of an insurer.

- **Official Acts by Insurance Adjusters:** Texas Insurance Code [Chapter 4101](#), concerning Insurance Adjusters, requires that certain acts may be taken only by a person who holds a license to act as an adjuster. Official acts of an adjuster include investigating or adjusting losses and supervising the handling of claims.
- **Utilization Review Agents:** Texas Insurance Code [Chapter 4201](#), concerning Utilization Review Agents, prohibits using AI to make an adverse determination.
- **Market Conduct Surveillance:** Texas Insurance Code [Chapter 751](#), concerning Market Conduct Surveillance, establishes the framework under which TDI conducts market conduct actions.
- **Production of Records:** Texas Insurance Code [Chapter 401](#), concerning Audits and Examinations, requires the maintenance of and, upon request from TDI, the production of all books and papers that relate to business and affairs.

Guidance and Expectations

TDI expects regulated entities to comply with the following guidance and expectations:

- Decisions made using AI must comply with the legal and regulatory standards that apply to those decisions, including unfair trade practice laws. These standards require, at a minimum, that decisions are not inaccurate, arbitrary, capricious, or unfairly discriminatory. Compliance with such standards is required, regardless of the tools and methods used in decision-making.
- Because any technology without appropriate guardrails and oversight has the potential to increase the risk of inaccurate, arbitrary, capricious, or unfairly discriminatory outcomes for consumers, it is important that regulated entities adopt and implement controls to mitigate the risk of adverse outcomes for consumers.
- If a regulated entity uses AI to make a consequential decision, TDI expects a person to review and agree with all decisions before action is taken.
- TDI recognizes that robust governance, risk management controls, and internal audit functions play a core role in mitigating the risk that decisions driven by AI will violate unfair trade practice laws and other applicable existing legal standards. TDI also encourages the development and use of verification and testing methods to identify errors and bias in the use of AI.
- TDI will monitor the use of AI through examinations and product filings. TDI also welcomes any complaints from consumers regarding the use of AI and will investigate accordingly. All regulated entities using AI should be able to furnish procedures and protections upon request by TDI.
- Regulated entities should expect TDI's monitoring of AI procedures and protections to include inquiries concerning governance frameworks, risk management, data and privacy protections, and internal controls. In addition to conducting a review of any of the items listed in this bulletin, TDI may also ask questions regarding any specific use of AI or its application.

The goal of this bulletin is not to prescribe specific practices or documentation requirements. Instead, the goal is to ensure that regulated entities are aware of TDI's expectations as to how AI will be governed and managed, as well as the kinds of information and documents TDI expects a regulated entity to produce when requested. TDI again encourages regulated entities to review the [AI Code of Ethics](#) as a framework for expectations of responsible AI use. This code promotes human oversight and control, fairness, accuracy, redress, transparency, data privacy, security, and accountability.

As in all cases, investigations and market conduct actions may be performed using procedures that vary in nature, extent, and timing in accordance with regulatory judgment. Nothing in this bulletin limits TDI's authority to conduct any regulatory investigation, examination, or enforcement action relative to any act or omission of a regulated entity that TDI is authorized to perform.

For questions about this bulletin, please contact GovernmentRelations@tdi.texas.gov.

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