

Insurance Regulation in Texas Executive Summary

Jamie Walker, TDI Deputy Commissioner for Financial Regulation | Rachel Bowden, TDI Director of Regulatory Initiatives

Walker and Bowden described a regulatory agenda built around better visibility into insurers' technology, careful statutory accounting, and clearer product disclosures. For a Texas life insurer, the most consequential near-term items are the AI information request, the transition from temporary negative IMR relief to proposed permanent guidance, and emerging annuity disclosure work. They repeatedly distinguished NAIC proposals from requirements that Texas can impose under its own statutes and rules.

AI evaluation as a supervisory information tool

Walker described the NAIC AI Risk Evaluation Supplement as a standardized place for an insurer to identify where AI is used, the systems and controls around it, and information an examiner or analyst may need. Her goal was to reduce fragmented, varying questions during financial analysis and examinations. She acknowledged concerns about breadth and confidentiality, but compared the questions to those regulators already ask about manual systems and controls. She also suggested the inventory could help companies see AI use across their own operations. She expected the core inventory approach to endure even as categories evolve. The recording starts during this exchange, so earlier context and any opening qualifications are unavailable.

Negative IMR and derivatives accounting

Walker explained why rising interest rates made negative interest maintenance reserve (IMR) a live statutory accounting issue. Selling lower-yielding bonds at a loss to reinvest at higher yields may improve future economics, yet immediate loss recognition can reduce statutory surplus and discourage otherwise sound asset liability management. Temporary NAIC interpretation INT 23-01 provides limited relief, described in the discussion as subject to a 10% surplus cap. NAIC extended the interim interpretation through December 31, 2027; the exposed rewrite of SSAP No. 7 is aimed at January 1, 2028. These are separate interim and proposed permanent treatments, and final guidance remains subject to the NAIC process.

Walker also noted parallel proposed accounting for asset liability management derivatives under SSAP No. 109. The work is intended to deal more appropriately with derivative gains and losses that otherwise create volatility through IMR. Her discussion treated coordinated effective dates as a goal, rather than an already implemented change. Life insurers can have investment and actuarial teams map any negative IMR, bond sales and hedging activity to the existing interpretation and the exposed proposals.

I COLI and consistency of financial reporting

Insurance company owned life insurance, or I-COLI, has drawn fresh scrutiny, Walker said, because some insurers may use it to gain alternative investment exposure beyond the earlier employee benefit risk purpose. She also described questions about counting an asset reported outside invested assets in cash flow testing, and about differing risk based capital treatment between life and property and casualty companies. The NAIC discussion was framed as information gathering; she did not announce an adopted accounting or capital change.

Supplemental products and the Texas rulebook

Bowden said Texas has older accident and health minimum standards rules on its update list following NAIC Models 170 and 171, but legislative work often determines the agency's rulemaking capacity. She expects definitions, benefit limits and the separation of supplemental products from major medical rules to need attention. Short-term limited-duration coverage and the definition of a preexisting condition were among the difficult model issues. She also mentioned newer family leave and disability offerings. No timetable for a Texas rule proposal was announced.

Annuities, illustrations and consumer communication

Bowden explained that her four-person regulatory initiatives team supports TDI's life and health policy, rate and form, actuarial, legal and managed care work. She estimated about 90% of her own time goes to major medical issues. Texas's limited annuity-specific statutes and use of the Interstate Insurance Product Regulation Commission can leave TDI seeing fewer developing products directly; she invited insurers to explain new designs even when filing through the compact.

Both speakers treated annuity illustrations as a consumer understanding issue. The NAIC is developing language for changes to Annuity Disclosure Model Regulation 245, while a regulator bulletin was discussed as a possible shorter-term route. Walker and Bowden stressed that any Texas bulletin must be grounded in existing Texas statutes and rules; model language does not become binding in Texas simply because the NAIC publishes it. The separate annuity buyer's guide revision was described as another disclosure project. The speakers did not announce a Texas bulletin or final model revision.

Implications for life insurers

Life insurers can maintain an inventory of AI uses, vendors, decision points, human oversight and controls that supports examination questions. Finance and actuarial teams can follow the negative IMR and SSAP No. 109 exposures and assess company-specific effects before assuming an accounting benefit. Insurers considering I-COLI, annuities or other new product structures can engage TDI early and distinguish compact filing standards from Texas law. Illustrations and consumer explanations should be reviewed from the buyer's perspective, including limitations and risks. The panel also noted the need for more awareness of private long-term care options, without announcing a specific regulatory initiative.

Status and transcript limits

This summary follows the supplied transcript, which begins mid discussion and contains speech recognition errors. NAIC materials available as of September 25, 2026 corroborate the extension of INT 23-01 through 2027 and show SSAP No. 7, SSAP No. 109, the AI supplement and Model 245 work at proposal or comment stages. Company-specific accounting conclusions and the final status of any Texas rule or bulletin require a fresh check before action.