

TESTIMONY ON BILL NO. 36-0184
PROVIDED BY THE
OFFICE OF THE LIEUTENANT GOVERNOR
DIVISION OF BANKING, INSURANCE AND FINANCIAL REGULATION
BEFORE THE
THIRTY-SIXTH LEGISLATURE OF THE VIRGIN ISLANDS
COMMITTEE ON BUDGET, APPROPRIATIONS AND FINANCE
DECEMBER 15, 2025

Good day, to The Honorable Novelle E. Francis, Jr., Chairman, Honorable Members of the Thirty-Sixth Legislature of the Virgin Islands Committee on Budget, Appropriations and Finance, other Senators present, as well as the viewing and listening audience. I am Attorney Suzette Richards, Legal Counsel, appearing on behalf of Attorney Glendina Matthew, Director of the Division of Banking, Insurance and Financial Regulation (hereinafter “Division”), within the Office of Lieutenant Governor and Commissioner of Insurance (hereinafter “Commissioner”), The Honorable Tregenza A. Roach, Esq.

I most respectfully appear before you today to provide testimony on **Bill No. 36-0184** (*An Act amending title 22 Virgin Islands Code, chapter 14, The Virgin Islands Insurance Holding Company System Regulatory Act (hereinafter “Virgin Islands Insurance Holding Company Act” or “Act”) to implement revisions that were made to the National Association of Insurance Commissioners (hereinafter “NAIC”) Insurance Holding Company System Regulatory Act Model Law (hereinafter “Insurance Holding Company Model Law”.)*) I am accompanied by Valecia Patrick Morris (the Division’s Chief Examiner Insurance).

I most respectfully inform this honorable body that the Division strongly supports **Bill No. 36-0184**, with the technical revision outlined in this testimony. **Bill No. 36-0184** proposes amendments to Title 22 of the Virgin Islands Code (commonly known as the Virgin Islands

Insurance Code) to implement revisions that were made to the NAIC's Insurance Holding Company Model Law in 2020 and 2021.

The Division has appeared before this Legislature on numerous occasions to provide testimony in support of adopting NAIC model laws. These efforts—together with the Legislature's continued support—enabled the Virgin Islands to achieve NAIC accreditation on December 6, 2019, and to successfully retain its accreditation most recently on November 16, 2024.

As an accredited jurisdiction, the Virgin Islands, like other accredited jurisdictions, is required to periodically update its insurance laws to maintain compliance with NAIC accreditation standards. These updates are essential to ensuring that our regulatory framework keeps pace with an ever-evolving insurance industry and that the Division has the necessary authority to oversee insurers doing business in the Territory. Ultimately, these measures help safeguard policyholders by ensuring that insurers remain financially sound and able to pay claims and benefits in accordance with the terms and conditions of their policies.

The Virgin Islands Insurance Holding Company Act, which we are seeking to amend today, is codified in Chapter 14 of Title 22 of the Virgin Islands Code. The Act was enacted in 2017 and is based on the NAIC Insurance Holding Company Model Law. The accompanying regulations—also based on the corresponding NAIC model regulation—have been in effect in the Territory since 2019.

Both the Act and its implementing regulations are required components of the NAIC accreditation program. In addition, when the NAIC updates its model law or model regulation and designates those revisions as accreditation requirements, accredited jurisdictions must adopt those revisions to maintain compliance with the accreditation program's standards. Accordingly,

amendments proposed in this Bill, which have been designated as accreditation requirements, are necessary to ensure the Territory's continued adherence to NAIC accreditation standards.

The Virgin Islands Insurance Holding Company Act establishes a regulatory framework for insurance groups, meaning insurers and their affiliated entities. Its purpose is to ensure appropriate oversight of transactions within an insurance holding company system, particularly where dealings between an insurer and its affiliated entities could disadvantage policyholders. For example, the law requires a domestic insurer to provide the Commissioner with prior notice of certain transactions with affiliated entities—such as management and service agreements, reinsurance agreements, and the purchase or sale of assets—and to obtain the Commissioner's non-disapproval before these transactions may proceed. This oversight helps prevent situations in which an affiliated entity could be unjustly enriched at the expense of the insurer and, ultimately, its policyholders.

The group capital calculation and liquidity stress test provisions in **Bill No. 36-0184**, which are based on the 2020 revisions to the NAIC Insurance Holding Company Model Law, would provide additional tools to effectively oversee insurance groups. The group capital calculation would provide critical financial information across the entire group, quantify risk, and increase transparency regarding how capital is allocated. It would help in assessing whether, and to what extent, an insurance company is supporting the operations of non-insurance entities within the group. By identifying risks that originate from non-insurance parts of the group, the calculation would help detect potential threats to the financial health of affiliated insurance companies. In essence, the group capital calculation would allow regulators to identify potential capital vulnerabilities within an insurance group early—before they threaten the solvency of any insurance company—thereby allowing for a timely intervention to address emerging risks.

The liquidity stress test provisions would require the ultimate controlling person of any insurer that falls within the scope of the NAIC's liquidity stress test framework to file the results of the applicable year's liquidity stress test. These results would be used to enhance the understanding and supervision of liquidity risk within an insurance group. Whereas the group capital calculation is a group-wide capital assessment tool focused on evaluating capital adequacy and identifying potential solvency risks across the insurance group, the liquidity stress test evaluates whether the insurance holding company system maintains sufficient liquidity to meet near-term cash needs under stressed conditions. The liquidity stress test helps to ensure that an insurance group can convert assets into cash quickly enough to satisfy its obligations even during periods of severe market stress.

Both the group capital calculation and the liquidity stress test are confidential, regulator-only tools. The financial information that insurance groups provide in connection with these filings is proprietary in nature, and these tools are intended solely to enhance group-wide supervision—not for public disclosure or rating purposes.

The group capital calculation and the liquidity stress test become accreditation requirements effective January 1, 2026, and therefore must be implemented to ensure the Territory's continued compliance with NAIC accreditation standards.

Bill No. 36-0184 also incorporates receivership provisions modeled on the NAIC's 2021 revisions to the Insurance Holding Company Model Law. The Division strongly supports the adoption of these provisions which will modernize the Territory's insurance laws and enhance protections for policyholders.

The receivership provisions would ensure that any affiliated entity that has an agreement with a domestic insurer to provide services that are integral to the insurer's operations—such as

accounting, data processing, or claims-handling services—or that are otherwise essential to meeting the insurer’s obligations to policyholders, falls under the jurisdiction and authority of any receiver appointed for that insurer. The provisions would also authorize the Commissioner to require that such agreements expressly state the affiliate’s consent to the receiver’s jurisdiction for purposes of interpreting, enforcing, and overseeing the affiliate’s obligations under the agreement.

By securing the receiver’s clear authority over these critical service relationships, this Bill helps to ensure the continuity of essential functions if an insurer becomes subject to a delinquency proceeding such as a rehabilitation or liquidation. This continuity is vital to preventing disruptions in insurance operations and safeguarding the interests of policyholders.

The Bill also authorizes the Commissioner to require an insurer that is in a hazardous financial condition—or in a condition that may warrant the commencement of a delinquency proceeding like a rehabilitation or liquidation—to secure and maintain a deposit or bond sufficient to cover the costs of services provided by an affiliated entity that are integral or essential to the insurer’s operations. In addition, the Bill makes explicit that all records, data, premiums, and other funds belonging to the insurer remain the property of the insurer, even when held by an affiliated entity. The Bill also provides that these records and data must be segregable from all other records maintained by the affiliate and must remain accessible to a receiver.

As of October 31, 2025, the group capital calculation and liquidity stress test provisions included in **Bill No. 36-0184** have been adopted in 48 jurisdictions and are under consideration in 3 additional jurisdictions, including this legislative body. As of that same date, the receivership provisions have been adopted in 27 jurisdictions and are under consideration in 2 others, again including consideration before this body.

As previously noted, the Division supports **Bill No. 36-0184**, with a technical revision to ensure that the provisions required for accreditation purposes are codified in a manner that is consistent with the model law. This clarity is essential so that both the Division and the insurance industry can readily reference and cite these provisions when necessary.

Section 321 of Title 22 of the Virgin Islands Code currently includes definitions for 15 terms, set out in subsections lettered (a) through (o). Section 1(a) of **Bill No. 36-0184** proposes to redesignate these subsections as paragraphs “(1) through (16)” and then adds definitions for three additional terms—**Group Capital Calculation Instructions, NAIC Liquidity Stress Test Framework, and Scope Criteria**—to be inserted in alphabetical order.

The Division notes one technical issue with this drafting. Because the Bill adds three new definitions, Section 321 will ultimately contain **18** paragraphs, not 16. However, the redesignation clause in the Bill instructs that the subsections be redesignated only as paragraphs “(1) through (16).” This does not make clear that, after the insertion of the newly defined terms, Section 321 will consist of 18 paragraphs in total.

To avoid codification ambiguity and to ensure that Title 22 accurately reflects the structure intended by the model law, the Division recommends that the reference to “16” in the redesignation clause be struck and replaced with “18.” This correction will ensure that the amendments are properly codified and that the statute can be clearly interpreted and applied by regulators, insurers, and accreditation reviewers.

With this technical revision, the Division fully supports the enactment of **Bill No. 36-0184**.

Chairman Francis, Members of this Committee, and other Senators present, this concludes the Division’s testimony on **Bill No. 36-0184**. We thank you and the Members of the Committee on Budget, Appropriations and Finance for the opportunity to appear before you. Moreover, we

greatly appreciate your support of our endeavors to update Title 22 of the Virgin Islands Code, to implement provisions that are required for the Virgin Islands to maintain its accreditation with the NAIC and strengthen insurance laws to protect policyholders in the Territory. We are prepared to respond to your questions on this Bill.