TESTIMONY

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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

Friday, February 27, 2026

Good day, Chairman Honorable Novelle E. Francis, Jr., Honorable Members of the Thirty-Sixth Legislature of the Virgin Islands, Committee on Budget, Appropriations and Finance, other Senators present, and the listening and viewing audience. I am Attorney Glendina P. Matthew, Director of the Division of Banking, Insurance and Financial Regulation ("Division"), within the Office of the Lieutenant Governor and Commissioner of Insurance, the Honorable Tregenza A. Roach, Esq. I respectfully appear before you today to testify on Bill No.36-0236, an Act amending title 33 Virgin Islands Code, subtitle 3, chapter111, section 3061 by increasing the amount of money that must remain in the Virgin Islands Insurance Guaranty Fund before any interest can be deposited into the General Fund. I am accompanied by the Division's Assistant Director Magdalene Burke.

The Division is pleased to advise this body that it fully supports this Bill which proposes to increase the amount that must be maintained in the Virgin Islands Insurance Guaranty Fund from $50 million to $55 million. As of February 24, 2026, the fund balance maintained by the Department of Finance is at $64 million. This increase will strengthen the Fund and enhance the financial protection available to policyholders and claimants in the Virgin Islands in the event of an insurer's insolvency.

Increasing the Virgin Islands Insurance Guaranty Fund is important for several key reasons:

- **Policyholder Protection:** Guaranty funds provide a critical safety net for policyholders when an insurer becomes insolvent. The funds ensures that claims are paid and that policyholders are not left financially devastated due to circumstances beyond their control.

- **Market Stability:** The existence of a well-funded guaranty system promotes confidence in the insurance market. This confidence is essential for the functioning of the insurance market, allowing policyholders to purchase insurance coverage with the knowledge that they will be protected in the event of a loss.

- **Financial Stability**: Guaranty funds help prevent the failure of one insurer from creating systemic disruption across the insurance market. By mitigating ripple effects, the Fund protects both consumers and the broader financial system.

This measure is essential to ensure continued consumer protection and a stable, trustworthy insurance marketplace in the Territory.

Over the years, the Virgin Islands has endured catastrophic hurricanes; most notably, Hurricane Hugo, Hurricane Marilyn and Hurricanes Irma and Maria. These catastrophic storms resulted in billion of dollars in damages nationwide and millions of dollars in claims in the Virgin Islands. Historically, several insurers became insolvent following these events, triggering payments from the Virgin Islands Insurance Guaranty Fund.

Most recently, Hurricanes Irma and Maria resulted in payouts of approximately $9 million dollars in claims and expenses, which resulted from the insolvency of Real Legacy, a Puerto Rico domiciled insurance company. While the frequency of insurer's insolvencies in the Virgin Islands due to catastrophes have decreased over time the severity of catastrophes is increasing. Raising

construction cost and inflation continue to drive up claim values, as a result, maintaining and strengthening the Guaranty Fund is both prudent and necessary.

Act No. 8211

In your deliberation of this Bill, also note, in October 2019, as part of the National Association of Insurance Commissioners (NAIC) accreditation standards, this legislative body passed Act No. 8211, which amended Title 22, Chapter 10 of the Virgin Islands Code, adding life and health products to the Virgin Islands Insurance Guaranty Act covered claims. Currently, all Accredited states and territories except the Virgin Islands have separate Property and Casualty (P&C) and Life and Health (L&H) insurance guaranty funds. To obtain accreditation, we were able to lobby the NAIC for an exception for the Virgin Islands. However, if the Virgin Islands continues to maintain one insurance guaranty fund for P&C and L&H, the NAIC may ultimately require that the Virgin Islands further increase the amount in the fund to accommodate the new possible life and health claims.

As discussed, we are in support of the increase in the Virgin Islands Insurance Guaranty Fund cap. However, consideration should be given to also increasing the amount of each covered claim to $75,000 from $50,000 as provided in Title 22 of Section 237, Virgin Islands Code. Currently the maximum a policyholder or claimant can receive is $49,950 ($50,000 minus $50.00). As discussed, with the bill sponsor, increasing the cap a policyholder or claimant can receive is a critical issue driven by the fact that construction costs have risen dramatically, often outpacing existing policy limits and statutory cap.

Most recently, the Real Legacy insolvency resulted in 296 covered claims paid by the Virgin Islands Insurance Guaranty Fund; and of the 296 paid claims, fifty-two (52) claims were over the $49,950 threshold. Twenty-three (23) claims were $75.000 and under and Twenty-nine (29) claims were over $75,000. The dramatic rise in construction materials and labor has made the statutory caps in many states and territories, including the Virgin Islands insufficient

and do not align with current construction costs. Materials and labor costs have increased dramatically, and policyholders are increasingly left undercompensated when the cap is applied. The last update to the Virgin Islands Insurance Guaranty Fund statutory cap was on September 30, 1985.

To provide some context, I have provided below, the number of states and territories that have caps on each claim from the lowest at $50,000 (Virgin Islands) to the highest at $5 million (Michigan):

$50,000- 1	$300,00- 36	$5 mil- 1
$100,000- 2	$500,000- 10	
$150,000- 1	$1 mil- 1	

Why is the Virgin Islands Insurance Guaranty Fund important? The fund is essential because monies from these funds pay policyholders and claimants whose insurers become insolvent. The Virgin Islands Insurance Guaranty Association legislative mandate is to pay claims of policyholders of an insolvent company when that company's assets become insufficient to meet their obligations to policyholders. The proceeds used to pay these claims comes from assessments made against insurance companies that are members of the respective guaranty association. In the Virgin Islands, insurers are charged a 5% assessment on the premiums written in the Territory.

In conclusion, we respectfully request the Committee ’s approval on Bill No. 36-0236 with the recommended amendment to increase the Virgin Islands Insurance Guaranty cap on each claim from $50,000 to $75,000. The adoption of this measure strengthens the Division’s ability to effectuate its dual mandate of regulating the insurance industry and protecting consumer interests.

Chairman Francis, Members of the Committee on Budget, Appropriations and Finance, all Senators present, and the listening and viewing audience, this concludes the Division's testimony on Bill No, 36- 0236. We thank you for the opportunity extended to the Division to appear before you today. We are prepared to respond to your questions on this Bill.