



March 30, 2023

The Honorable Donna A. Frett-Gregory
Chairman
Committee on Budget, Appropriations and Finance
35th Legislature of the US Virgin Islands
Government of United State Virgin Islands
St. Thomas, U.S. Virgin Islands

Dear Honorable Senator Frett-Gregory:

First, I would like to apologize for not appearing in person in front of this distinguished committee and offering live testimony on Bill No. 35-0026, relating to insurers becoming members of the Federal Home Loan Bank of New York, and matters relating thereto, due to previously planned travel.

We also take the opportunity to congratulate you, Senator Frett-Gregory, for supporting this important initiative destined to allow insurers to participate in programs that help enhance their liquidity.

Guardian was incorporated and licensed in the U.S. Virgin Islands in 1984 as a domestic property and casualty insurer. Our commitment to the people of the Virgin Islands has been unwavering for more than 39 years and we feel deeply compelled to support any initiative that improves and enhances the quality of our market and industry, especially those efforts that are primarily committed to protect the competitiveness of our market.

Guardian has most notably endured multiple catastrophic events, including four major and significant hurricanes: Hurricane Hugo in 1989, Hurricane Marilyn in 1995, and Hurricanes Irma and Maria both in 2017. Through all these events, Guardian has met all of its obligations to its policyholders, while always aiming to meet and maintain at its core the needs of the Virgin Islands' insurance market. It is well-known that many companies have not met that commitment and have been subsequently declared insolvent due to the impact of these storms, causing great hardship and uncertainty to the local community. That is, threats are real and efforts like this Bill are so much more important now than ever to VI consumers. We must stress that Guardian has not only managed to survive the different catastrophes but also the different economic cycles of the local and worldwide financial markets, in addition to the indiscriminate volatility of the global reinsurance markets.

The proposed legislation is a step in the right direction to modernize our insurance laws and, in doing so, provide tools and mechanisms that allow companies to serve better the people of the Virgin Islands.

The way insurance companies work, Assets are mostly invested in Bonds, and Bill 35-0026 would enable the Federal Home Loan Bank's member insurers to access additional liquidity in case of unpredictable cash demands. This is a typical situation for an insurance company – when there are large claims to be paid, yet reinsurance money recoverable is pending. Today, most investment banking firms shy away from allowing these once traditional credit facilities. They are better known as Margin Accounts and allowed insurers to borrow against their Assets on deposit.

We strongly feel that through legislation like Bill 35-0026, the Virgin Islands will add to their already high level of sophistication and will support the VI's status at the same level as other jurisdictions, while providing more efficient tools to allow the insurance companies to benefit from better credit facilities.

We reiterate our support for Bill No. 35-0026 as currently proposed and presented to this Committee.

We thank you for the opportunity to express our opinion.

Sincerely,

GUARDIAN INSURANCE COMPANY



Raymond L. Fournier
President