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Homeowners in USVI Struggle to Secure Insurance Amid Rising Risks

Glendina Matthew, director of the Division of Banking, Insurance and Financial Regulation, explains how Hurricanes Irma and Maria contributed to a hard insurance market in the Virgin Islands, leading to premium increases and limited coverage options

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Nelcia Charlemagne **October 02, 2024**

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Recent adverse weather events have made it difficult for homeowners attempting to secure housing insurance in the Virgin Islands. That's according to Glendina Matthew, director of the Division of Banking, Insurance and Financial Regulation in the Office of the Lieutenant Governor.

On Monday, she told members of the Committee on Housing, Transportation, and Telecommunications that, “As a result of catastrophic events such as Hurricane Irma and Maria ...reinsurers have been declining and limiting the amount and type of risk they will undertake.” It’s a decision that has “limited insurers ability to write new and renewal coverage.” Sharing startling figures, Ms. Matthew told lawmakers that Hurricanes Irma and Maria cost the insurance industry \$179 billion, all told.

These events have contributed to what insurance experts refer to as a hard market condition, which “typically occurs in response to a major external event.” In such cases, rates rise, coverage may be more difficult to find, and insurer reserve increases, Ms. Matthew explained. “Increased reinsurance costs, less competition, poor investment returns, [and] inflation,” can all contribute to a hard market. Virgin Islanders are already well aware of those challenges.

Between 2021 and 2022, “we began experiencing premium increases on availability of insurance and limitations on insurance coverage,” explained Ms. Matthew. The instability of the global insurance market “became more apparent and a major concern, since the Virgin Islands has a small property and casualty insurance market.” With the risk of many insurers leaving the territory, “the division considered measures that would help stabilize the Virgin Islands insurance market.” These measures included five to ten percent rate increases.

“Based on increases granted, insurers were able to maintain their capacity, and policyholders were able to renew their policies, except wooden structures in some cases,” Ms. Matthews explained. Previously insured owners of wooden homes have largely been allowed to reinsure their properties, but new homeowners faced difficulty securing insurance against weather phenomena like floods and hurricanes.

Two years later, Ms. Matthews reports that the “local industry is still in a delicate position, as we are now at the peak of the hurricane season.” However, she remains optimistic, and anticipates “some strengthening and stabilization of the insurance market.”

“We should be seeing a softening of the market,” she declared. “Absent of a catastrophe impacting the territory, new homeowners in the territory with standard construction should be able to obtain insurance coverage.” Unfortunately, owners of wooden structures “may still be limited, as many insurers have restrictions in their reinsurance agreements.” In that event, the homeowner would have to seek coverage through the surplus line market. Though lawmakers shared in her optimism, Senator Angel Bolques suggested the option of “[attracting] more insurance companies so that we have a more of a competitive playing field.”

“Despite industry predictions, the weather conditions will play a major part in what happens next,” Ms. Matthews warned.