

## Insurance Law Overhaul Moves Forward as Officials Warn Accreditation Could Be Suspended

Testimony before lawmakers stressed that NAIC-mandated updates in Bill 36-0184 are required to keep Virgin Islands insurance regulation current, strengthen oversight of insurance groups, and preserve the territory's accredited regulatory status.

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Nelcia Charlemagne **December 23, 2025**

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The V.I. Legislature's Committee on Budget, Appropriations, and Finance has approved Bill No. 36-0184, a measure that would update the territory's insurance laws to meet nationally required regulatory standards, as lawmakers move to avoid the possible suspension of the Virgin Islands' insurance accreditation.

The bill proposes revisions to Title 22 of the Virgin Islands Code, Chapter 14, known as the Virgin Islands Insurance Holding Company System Regulatory Act. According to testimony presented to the committee, the changes are required by the National Association of Insurance Commissioners (NAIC) and must be enacted for the Government of the Virgin Islands to “maintain compliance with NAIC accreditation standards.”

Appearing before the committee on December 15, Suzette Richards, legal counsel for the Division of Banking, Insurance and Financial Regulation within the Office of the Lieutenant Governor, urged lawmakers to advance the legislation, emphasizing the consequences of inaction.

“We're accredited, and we need to remain accredited, and if we don't have this legislation, our accreditation would most likely be suspended,” Richards told senators.

Richards explained that NAIC-mandated updates are periodically required to ensure that insurance regulations remain current and effective. The proposed revisions, she said, are designed to ensure that the territory’s regulatory framework “keeps pace with an ever evolving insurance industry, and that the Division has the necessary authority to oversee insurers doing business in a territory.”

She added that the regular updates serve as a safeguard for 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.”

Bill 36-0184 incorporates six revisions drawn from the NAIC’s Insurance Holding Company System Regulatory Act Model Law. According to Richards, the changes provide “additional tools to effectively oversee insurance groups,” including measures to strengthen group-level supervision, improve access to key financial information, quantify risk across insurance groups, and increase transparency in how capital is allocated within those groups.

One of the central components of the bill is the implementation of a group capital calculation, which Richards said would provide “critical financial information across the entire group, quantify risk and increase transparency regarding how capital is allocated.” The calculation is also intended to help regulators “detect potential threats to the financial health of affiliated insurance companies.”

The bill also introduces a liquidity stress test, another key accreditation requirement. Richards described the test as an evaluation of whether an insurance holding company system “maintains sufficient liquidity to meet near term cash needs under stress conditions.” The test is intended to determine whether 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,” Richards noted.

Additional provisions in the bill address receivership authority, ensuring that “any affiliated entity that has an agreement with a domestic insurer to provide services that are integral to the insurer’s operations...falls under the jurisdiction and authority of any receiver appointed for that insurer.” Richards said these changes help ensure the continuity of essential services if an insurer enters receivership.

The NAIC accreditation requirements reflected in the bill take effect January 1, 2026, making timely adoption critical. Richards told lawmakers that the provisions have already been implemented in 48 jurisdictions and are under consideration in three others, including the Virgin

Islands.

She assured senators that the legislation would “modernize the territory's insurance laws and enhance protections for policyholders,” adding that it “helps ensure the continuity of essential functions.”

Lawmakers on the committee expressed support for the bill. Senator Hubert Frederick, who has experience in the insurance industry, described the measure as “very timely,” while Senator Kurt Vialet said plainly that “this law is necessary.”

Although Bill 36-0184 cleared the Committee on Budget, Appropriations, and Finance, it must still be considered by the Committee on Rules and Judiciary, which is not scheduled to meet until January 8—after the January 1 effective date for the accreditation standards. A date for the next full legislative session has not yet been announced.

Anticipating possible delays, Richards said the Division of Banking and Finance has already notified the NAIC that the legislation is under active consideration by the Legislature.