

# Legislation That Would Change Insurance Landscape in U.S. Virgin Islands Moves Forward

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Approximately seventeen months after Lieutenant Governor Tregenza Roach disclosed that insurance company Lloyd's of America Inc. had served notice that it would be relinquishing its admitted licenses and will focus on providing both surplus lines coverage and reinsurance, the Senate Committee on Finance approved an Act that would ensure the local market is not negatively impacted.

"Lloyds intends to change its licensing status in the U.S. Virgin Islands, Illinois, and Kentucky, the only three jurisdictions where Lloyd's currently does business as an admitted insurer," Mr. Roach said at the time. "It is making this change to operate in these three areas in the same manner that it does in every other U.S. jurisdiction."

On Monday, the Committee on Finance approved Bill No 34-0166 - An Act amending Virgin Islands Code, chapter 27 by changing the name of the chapter to “The Virgin Islands Unauthorized and Surplus Lines Insurer Act”, and by establishing the diligent search requirements that an authorized surplus lines broker must fulfill before placing coverage for certain lines of insurance with a surplus lines insurer in the territory.

Surplus lines insurance protects against a financial risk that is too high for a regular insurance company to take on. Surplus line insurance can be used by companies or purchased individually. Unlike normal insurance, this insurance can be bought from an insurer not licensed in the insured’s state/territory. However, the surplus lines insurer requires a license in the state/territory where it is based.

Invited testifiers for this piece of legislation which is expected to have serious implications for the insurance market in the Virgin Island were Glendina Matthew, legal counsel for the Office of the Lieutenant Governor, Henry Feuerzeig, legal counsel at Dudley Newman Feuerzeig, LLP, and Sabrina Miesowitz, general counsel at Lloyd’s of America, Inc.

After learning that once the Act is made law there would be a two-year window for the Virgin Islands to figure out what will happen to the insurance market, Senator Donna Frett-Gregory said she was troubled by that information and called on the counsel for Lloyd’s of America to explain the risk.

“That bit of information is troubling to me,” she said. “It’s troubling because Lloyd’s will no longer be underwriting and if I am reading it correctly, there is a two-year window for the Virgin Islands to figure out the underwriters who will be interested in our market.”

Senator Samuel Carrión also expressed his concern and inquired from Ms. Matthew whether she foresaw a gap or whether the local insurance market could fall into a situation where some of the policyholders will be unable to find insurance.

“I don’t think we should have that problem because as I indicated there is a company that coming into the admitted market. I am not going to call any name but there is a company coming,” she said while disclosing that there are companies already in the Virgin Islands that are not underwriting to their full capacity.

Lloyd’s America Inc., a subsidiary of the famed Lloyd’s of London, is the largest reinsurer in the USA. In 2020, the council of Lloyd’s which operates as a board of directors made the decision to relinquish the three U.S. licenses it maintains to focus on surplus lines insurance which is its area of expertise.

“The underwriters of Lloyd’s market have a long outstanding commitment to the U.S. Virgin Islands through relationships with the U.S. Virgin Islands brokers that have existed in some cases for decades, and we are committed to helping maintain a healthy and competitive insurance market in the U.S. Virgin Islands,” Ms. Miesowitz, the Lloyd’s America general counsel, said in her testimony.

She said that Lloyds strongly supports the Surplus Lines Insurer Act. “We believe it will further enhance the competitiveness of the U.S. Virgin Islands insurance market. The purpose of the Surplus Lines Insurer Act is to ensure that there is appropriate access to the surplus line market when insurance coverage from licensed insurers is not readily available,” she said.

Explaining that the surplus line Act is not intended to impact licensed insurers, Miesowitz said, “We do not believe that it will. The USVI licensed insurance market is robust, and it will remain so. The Surplus Lines Insurance act will provide the USVI surplus brokers greater flexibility to be able to utilize the surplus lines when their clients' coverage lines, or capacity requires it. The Surplus Lines Act modernizes and clarifies the requirements that U.S. Virgin Islands surplus brokers must fulfill,” she said.

The Act was favorable voted on by members of the Finance Committee and will be forwarded to the Committee of Rules and Judiciary for further consideration.

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