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Lawmakers Advance Bill Raising Insurance Guarantee Fund to $55 Million Despite OMB Objections

The committee backed raising the Fund’s minimum to $55M and increasing the $50K claims cap to $75K, citing hurricane-era insolvency losses and rising construction costs, despite OMB warnings that setting aside an extra $5M would limit government liquidity

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Lawmakers on the Committee on Budget, Appropriations, and Finance on Friday voted to advance legislation increasing the minimum balance required in the Virgin Islands Insurance Guarantee Fund, despite objections from the Office of Management and Budget and the Department of Finance.

The measure, Bill 36-0236, sponsored by Senator Kurt Vialet, would amend Title 33 of the Virgin Islands Code to raise the minimum balance of the Fund from $50 million to $55 million before any interest can be transferred into the General Fund.

The Insurance Guarantee Fund, created after Hurricane Hugo, exists to pay claims if an insurance company becomes insolvent. Current law requires that the Fund maintain a $50 million balance, while allowing up to $20 million to be deposited into the General Fund for multiple uses. The minimum threshold has remained unchanged for years, Senator Vialet noted.

Calling it a “simple bill,” Vialet argued that increasing the minimum by $5 million was reasonable, particularly since the Fund currently holds over $60 million and continues to receive collections throughout the year.

He emphasized the need for periodic review of the balance requirement “so in the event that something catastrophic happened…we have those monies to protect the people of the Virgin Islands.”

The legislation also addresses the statutory claims cap. Current law limits payouts to $50,000 — a ceiling set nearly three decades ago. Citing the “increased cost of construction,” Vialet said an amendment to Bill 36-0236 raises the cap to $75,000.

Glendina Matthew, director of the Division of Banking, Insurance, and Financial Regulation within the Office of the Lieutenant Governor, testified in support of the measure.

“This increase will strengthen the fund and increase the financial protection available to policyholders and claimants in the Virgin Islands in the event of an insurer’s insolvency,” she said. “The existence of a well-funded guarantee system promotes confidence in the insurance market.”

As climate change and other man-made factors contribute to more frequent catastrophic events, Matthew stated that the increase is “essential to ensure continued consumer protection and a stable, trustworthy insurance marketplace in the territory.”

Jeremy Austin, an insurer, also supported the bill. “A $55 million reserve more accurately reflects today's risk environment,” he said.

Addressing the payout cap, Austin added, “After hurricanes Irma and Maria, the statutory cap fell woefully short for many policyholders.” Raising the limit, he argued, would “better align the statute with present-day economic realities” and provide financial protection when policyholders “need it the most.”

OMB Director Julio Rhymer offered a contrasting view. While acknowledging that the proposed increase “may appear modest,” he said several “fiscal and economic factors” make maintaining the current $50 million threshold the “more prudent course” at this time.

Among those concerns, Rhymer cited financial flexibility and the need to “preserve sufficient liquidity and budget flexibility to navigate economic downturns.” He warned that the bill would “effectively set aside an additional $5 million, limiting the government's ability to allocate resources during periods of fiscal uncertainty.”

“It is important to carefully consider the long term implication of introducing additional rigidity in the statute,” Rhymer cautioned.

Finance Commissioner Kevin McCurdy later echoed the concern when responding to Senator Dwayne DeGraff.

“Our position is that it ties our hands in terms of having access to it,” McCurdy said.

Despite those objections, committee members sided with the bill’s supporters.

“I think it's very modest to increase it by $5 million. It should be $100 million but, you know, maybe graduated over time,” said Senator Hubert Frederick, a licensed insurance broker.

“I know that the central government wants the additional funds to operate. I understand that. Commissioner of Finance, I feel your pain…but this is a different bucket of money that we need to protect,” he added.

Senator Ray Fonseca referenced the impact of past insurer insolvencies, recalling how policyowners were affected after the 2014 hurricanes.

“That's the bare minimum we can do,” he said.

With committee approval secured, Bill 36-0236 now moves to the Committee on Rules and Judiciary for further consideration.