



**Office of the Lieutenant Governor
Division of Banking, Insurance and
Financial Regulation**

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BULLETIN 2021-01

TO: To All U.S. Virgin Islands Admitted Property and Casualty Insurers
FROM: Tregenza A. Roach, Esq., Lieutenant Governor and Commissioner of Insurance
RE: **30% Probable Maximum Loss (PML) Reinsurance Requirement for
Windstorm Events**

The purpose of this Bulletin is to memorialize the Probable Maximum Loss (“PML”) reinsurance requirement for all U.S. Virgin Islands (hereafter referred to as “the Territory”) admitted property and casualty insurers.

In 1995, Hurricane Marilyn caused catastrophic damage in the Territory, which resulted in several insurers either becoming financially impaired or insolvent. Thereafter, as a result of the loss experience of property and casualty insurers that were doing business in the Territory at the time, the Territory’s Commissioner of Insurance established a thirty percent (“30%”) Probable Maximum Loss (“PML”) reinsurance requirement for windstorm events, for admitted property and casualty insurers that write the majority of property insurance in the Territory.

PML is referred to as “Maximum Probable Loss” (“MPL”) in Barron’s Dictionary of Insurance Terms (4th Ed.), wherein it is defined as an “estimate of [the] maximum dollar value that can be lost under realistic situations.” The 30% PML reinsurance requirement essentially requires admitted property and casualty insurers that write the majority of property insurance in the Territory to have reinsurance to cover the PML expected to incur on at least 30% of their portfolio for any losses due to a windstorm event.

The 30% PML reinsurance requirement was done not only as a regulatory procedure (to ensure that property and casualty insurers would remain financially solvent in the event of a catastrophic windstorm event), but also as a consumer protection measure (to protect insureds and ensure that their insurance claims would be paid in the event of a catastrophic windstorm).

Accordingly, the 30% PML requirement remains in effect and has now been memorialized in the form of this Bulletin. Consistent with the foregoing, admitted property and casualty insurers determined by the Commissioner of Insurance (Commissioner) to have written the majority of property insurance in the Territory are required to have reinsurance that covers the PML they could incur on at least 30% of their portfolio for any losses due to a windstorm event, unless otherwise directed by the Commissioner.

Admitted property and casualty insurers should note, however, that notwithstanding the 30% PML reinsurance requirement that is discussed herein, they are nonetheless encouraged to have reinsurance that exceeds 30% of their portfolio for any losses that are due to a windstorm, and in any event, that they **must** have adequate reinsurance to cover all of their aggregate exposures in the Territory.

Questions regarding this Bulletin may be directed to the Division of Banking, Insurance and Financial Regulation by calling Gwendolyn Hall Brady, Director, at (340) 773-6459 or via email at gwendolyn.brady@lgo.vi.gov

Dated this 19th day of January 2021 at St. Thomas, U.S. Virgin Islands.



A handwritten signature in blue ink that reads "Tregenza A. Roach".

Tregenza A. Roach, Esq.
Lieutenant Governor and
Commissioner of Insurance