American Property Casualty Insurance Association
INSURING AMERICA apci.org

April 25, 2025

The Honorable Donna Bailey and Kristi Mathieson
Joint Standing Committee on Health Coverage, Insurance and Financial Services
Maine State House
Augusta, ME 04333

Re: LD.1674 – An Act to Require Insurers to Address Climate Risk in Their Business Activities

Dear Chairs Bailey and Mathieson:

The American Property Casualty Insurance Association (APCIA)[1] opposes LD.1674 because it is an unprecedented attack on the property and casualty insurance industry. LD.1674 is an egregious example of cutting off one's nose to spite their face, attacking the state's well-functioning insurance market in a misplaced attempt to scale-back the state's significant reliance on fossil fuels.

By all accounts, Maine has a healthy insurance marketplace, with strong competition, ample availability, and some of the lowest premiums for both auto and home coverage.[2] It also does not have any indigenous fossil fuel reserves, production, or refineries.[3] Yet Maine has been, and remains, the most heating oil dependent state in the country.[4] As a result, Maine spends over $4.5 billion annually on imported fossil fuels and "[f]or decades, Maine people and businesses have experienced significant energy cost volatility due to overdependence on out-of state fossil-fuels to heat homes and power the economy."[5]

APCIA supports a thoughtful and economically sound energy transition. Property casualty insurers have been long-time leaders in supporting responsible energy transition and addressing the impacts of climate change by advocating for stronger mitigation, resilience efforts, and building codes. Notably, just days ago, LD.1 was enacted in Maine with APCIA's support to spend over $36 million in funding provided by insurers on climate resiliency infrastructure, disaster recovery, and a home-hardening grant program.

While we support a thoughtful energy transition, we note that fossil fuel products are still legal and the U.S. federal government has long supported the production and use of fossil fuels through subsidies and policies that necessitate their consumption. According to recent estimates from the U.S. Energy Information Administration (EIA), a branch of the U.S. Department of Energy, petroleum and natural gas

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[1] Representing 67% of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe. Several APCIA members are located in Maine and many more do business here. APCIA members are integral to the state. They write 64% of the property casualty insurance sold in this state. The P&C insurance industry employs over 2,000 Rhode Islanders, provides annual assistance of $1.3 billion in claim payments to help customers in the state, and contributes over $133 million annually to the state in premium taxes.

[2] https://www.maine.gov/pfr/sites/maine.gov.pfr/files/inline-files/2024-PC-Availability-Report.pdf

[3] https://www.maine.gov/energy/sites/maine.gov.energy/files/2025-01/Maine%20Energy%20Plan%20January%202025.pdf (p.9)

[4] https://www.maine.gov/governor/mills/news/governor-mills-announces-maines-largest-yearly-drop-heating-oil-reliance-least-2010-2024

[5] ID (p. 1)

are expected to remain the most consumed sources of energy in the U.S. well past 2050. No amount of wishful thinking can change the fact that traditional forms of energy production will continue to power our daily lives for decades to come.

LD.1674 singles out insurer's provision of services to, or investment in, fossil fuel companies regardless of the legality of their operations and ignores significant other sources of greenhouse gas emissions and the importance of fossil fuels in our economy, which are critical for the reliable production of electricity, our transportation needs, and many other essential uses. Furthermore, the idea that without insurance, new fossil fuel projects would come to a halt is misguided at best. Without insurance, this energy production would continue but without the risk protection that safeguards communities and workers. The global thirst for energy is immense and any shortfall in domestic production would be quickly filled by state-controlled international energy companies that may not have comparable environmental protections, or concerns for the well-being of Americans.

LD.1674 also treats the insurance industry differently than other businesses. To force the insurance industry alone to divest, cease doing business with, and report on activities with the fossil fuel industry is not only discriminatory against the insurance industry, but it also places significant cost burdens related to such activities solely on the shoulders of an industry already facing multiple weather, inflation, regulatory, litigation, and statutorily driven challenges.

Rather than addressing the complexities inherent in Maine's reliance on and transition from fossil fuels, LD.1674 takes a sledgehammer to the regulatory environment, establishing unique, arbitrary and unwise constraints on insurers including:

1. Creating and requiring the use of a "Precautionary principle" that by its own definition purports to limit activities that are "scientifically plausible but uncertain," illustrating how tenuous the bill's connection is to science and causality and injecting vagueness and subjectivity into the regulatory process.
2. Preventing insurers from investing in or underwriting new fossil fuel projects. Forcing the energy transition to happen in this extreme and careless manner would harm Maine businesses and its economy. Preventing legal businesses from being able to purchase insurance coverage is unprecedented and economically dangerous. The energy transition cannot happen overnight – or even over the course of years – and to try to force such an outcome by making insurance for new projects unavailable will simply force projects out of state and leave Maine businesses without options, harming the Maine economy and its labor force.
3. Requiring insurers to align their investment and underwriting activities with undefined "science-based climate risk mitigation targets" to phase out existing underwriting or "any other significant action" for a laundry list of fossil fuel- and byproduct-related activities. This is vague guidance, at best, and could arguably cause insurers to violate their fiduciary duties to investors and owners.
4. Mandating impossible reporting on investments and underwriting. Insurers have absolutely no ability to gauge what would qualify an investment for reporting under the bill's Sec. 7803(2). Insurers don't have access to information that can reliably be used to show that companies in which they invest derive more than 10% of their revenue from fossil-fuel related activities or their greenhouse gas emissions. Nor do they necessarily have access to companies' plans for fossil-fuel related infrastructure projects. Furthermore, there are no reliable methodologies for calculating greenhouse gas emissions from underwriting contracts for most lines of insurance, and there are significant limitations on the availability and reliability of underlying data needed for such calculations, including data from third parties who are under no obligation to report such information to insurance carriers. Even if the necessary data were available, the cost of completing extensive greenhouse gas calculations and reporting would undoubtedly increase insurance costs for consumers, further adding to broader insurance affordability issues, while doing nothing to reduce the impacts of climate-related disasters. Meanwhile, reporting inaccurate

and incomplete greenhouse gas emissions data, as required under LD. 1674, would open insurance companies up to enormous liability risk.

5. Divestiture by insurance companies by 2030 from a defined list of fossil-fuel related entities and projects. This would pose a severe burden on both the insurance industry and the companies in which they may invest.

Even as a mere talking point, LD.1674 is sorely off base. For the foregoing reasons, we oppose LD.1674 and would welcome the opportunity to discuss other ways our industry can partner with Maine on climate resiliency and energy transition.

Very truly yours,

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CC: Joint Standing Committee on Health Coverage, Insurance and Financial Services members:
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