

The Honorable Donna Bailey, Senate Chair
The Honorable Kristi Mathieson, House Chair
Committee on Health Coverage, Insurance and Financial Services
Maine Legislature

May 20, 2025

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

Dear Senator Bailey, Representative Mathieson, and Distinguished Committee Members:

Thank you for the opportunity to comment in opposition to LD 1674, which would require insurers, by September 15, 2030, to divest from fossil fuel revenue and projects.

Life insurance companies' core mission is to deliver on the promises they make to families to be there for them financially following the death of a loved one. Smartly investing policyholders' premiums is a key part of fulfilling that mission. While ACLI appreciates and supports the intention behind the bill, to address climate change and support the transition to a lower carbon economy, mandating divestment from fossil fuels would have significant unintended consequences for the financial health of life insurers, the stability of policyholder benefits, and the broader investment landscape in Maine.

Life insurers have long-term obligations that require stable, diversified investments.

Life insurers invest heavily in high-quality, conservative corporate bonds, the long-term nature of which aligns well with the long durations of life insurers' obligations. Life insurance, annuities, and retirement products can be in force for decades before a beneficiary files a claim for benefits.

But as any sound investor knows, the key to a stable portfolio is diversification. That is why life insurers also invest in real estate, mortgage loans, and stocks. In fact, the life insurance industry invests \$23 billion in Maine's economy, including in commercial, residential, and agricultural mortgages, stocks, bonds, and more. Life insurers' portfolios are structured to ensure that returns are stable, diversified, and aligned with risk profiles. Investments in energy – both traditional and transitional – have historically provided the kind of dependable, dividend-producing returns that help life insurers meet their obligations to Maine families.

Companies review their investments daily, and ratings agencies thoroughly review life insurers' portfolios to gauge companies' financial strength. The Maine Bureau of Insurance, along with

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

every other state insurance department, strictly oversees life insurers' investments to make sure companies stay strong financially. State insurance departments have mechanisms in place that allow them to act very quickly at the first hint of financial trouble. Mandating divestment from fossil fuels would restrict life insurers' abilities to prudently diversify risk and maximize returns. Ultimately, it could increase the cost of life insurance products or reduce financial security for policyholders.

Engagement, not exit, drives change.

The global transition to renewable energy is underway, but it will not happen overnight, and life insurers are not passive investors. Through shareholder engagement and proxy voting, life insurers can and do promote meaningful improvements in corporate environmental performance, carbon disclosure, and sustainability strategy. Mandating divestment would cut off this avenue for progress. By withdrawing capital, life insurers would cede influence to less accountable investors and miss the opportunity to guide the energy industry toward innovation and accountability.

Climate change is a real and pressing challenge and ACLI members share the goal of protecting our climate and securing a sustainable future. However, life insurers' investments in the energy sector contribute to economic growth and promote clean energy efforts in Maine. We urge this Committee to preserve the regulatory balance that currently governs life insurers, allowing them to make sound, forward-looking investment decisions within a prudent, risk-based framework.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a horizontal line and a small flourish.

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