



May 20, 2025

Health Coverage, Insurance, and Financial Services Committee
Maine Legislature
100 State House Station
Augusta, ME 04333

Re: LD 1674, HP1109 – An Act to Require Insurers to Address Climate Risk in Their Business Activities

Dear Members of the Health Coverage, Insurance, and Financial Services Committee:

Americans for Financial Reform (AFR) appreciates the opportunity to comment in support of LD 1674, An Act to Require Insurers to Address Climate Risk in Their Business Activities. AFR is a nonpartisan, nonprofit coalition of more than 200 civil rights, consumer, labor, business, investor, faith-based, civic, and community groups. Formed in the wake of the 2008 crisis, we work to lay the foundation for a strong, stable, and ethical financial system – one that serves the economy and the nation as a whole.

Insurers play a key role in shaping financial markets and helping households and businesses manage their risks. They also provide the insurance coverage and part of the financing that fossil fuel companies and projects depend on to operate.¹ However, scientific research indicates that a significant portion of known fossil fuel reserves must remain unused to limit global warming,² and ongoing fossil fuel infrastructure expansion, which is facilitated by insurers, will only worsen climate impacts and deepen the housing and homeowners insurance crises.

The insurance industry's current approach to climate risk is both self-defeating and a danger to the public. Insurers are supposed to protect people from risk, not actively back the very industries that are accelerating and intensifying³ climate disasters that lead to higher insured losses⁴ and devastate families and communities. Insurers continue to provide coverage for fossil fuel infrastructure such as oil and gas pipelines and gas-fired power plants; without insurance these projects usually cannot move

¹ Insure Our Future. "[Within Our Power: Cut Emissions Today to Insure Tomorrow](#)." 2024; Ceres. "[The Changing Climate for the Insurance Industry: Research and Insights](#)." 2023.

² Welsby, Dan et al. "[Unextractable fossil fuels in a 1.5 °C world](#)." *Nature*. Vol. 597, No. 230. 2021.

³ National Oceanic and Atmospheric Administration. "[Billion-Dollar Weather and Climate Disasters](#)." 2025.

⁴ Insure Our Future. "[Within Our Power: Cut Emissions Today to Insure Tomorrow](#)." 2024.

forward. At the same time, insurers are generating profit by investing billions of dollars – much of it from policyholder premiums⁵ – into these fossil fuel companies and projects.

When disasters driven by the burning of fossil fuels hit, insurers often deny claims, raise rates, pull back coverage, or exit entire regions – leaving communities to fend for themselves. This cycle is deeply unjust. The industry is enabling climate destruction on the front end, then retreating on the back end when the damage they’ve contributed to becomes too costly.

And these burdens don’t fall equally.⁶ Communities of color and low-income families – those already facing the consequences of redlining and disinvestment, as well as the brunt of climate and environmental harms⁷ – are often the first to lose coverage or face unaffordable premiums. Many live in high-risk areas precisely because of decades of housing discrimination – and now they’re being penalized again, this time through the insurance market. AFR therefore strongly recommends amending LD 1674 to include language that protects Maine communities, particularly those most at risk in the climate and insurance crises. This could include directing insurers to implement measures to improve the affordability and availability of insurance coverage, such as by requiring maintenance of broad coverage and provision of premium discounts and other incentives for mitigation and resiliency improvements. AFR is happy to provide additional input on ways to improve the bill to better protect consumers and vulnerable communities.

We are already seeing dire consequences. In states like Florida and California, families are struggling to find or afford coverage at all, as climate change-driven hurricanes, flooding, and wildfires worsen and become more frequent. Data released by the Federal Insurance Office (FIO) in January of this year shows these dynamics playing out across the country, not just in coastal or fire-prone states.⁸

In Maine, a quarter of ZIP codes between 2018 and 2022 saw paid loss ratios – the amount insurers pay on policyholder claims relative to what they are receiving in premiums – more than double.⁹ The

⁵ Berkshire Hathaway. [“Shareholder Letter.”](#) 2019.

⁶ See, e.g., Cornelissen, Sharon et al. Consumer Federation of America. [“Exposed: A Report on 1.6 Trillion Dollars of Uninsured American Homes.”](#) March 2024; Ellfeldt, Avery. [“Soaring insurance rates an ‘existential challenge’ to affordable housing.”](#) *E&E News*. June 11, 2024; Collier, Benjamin & Kousky, Carolyn. Fox School of Business. [“Household Financial Resilience after Severe Climate Events: The Role of Insurance.”](#) 2024.

⁷ See, e.g., Environmental Protection Agency. [“Climate Change and Social Vulnerability in the United States: A Focus on Six Impacts.”](#) July 21, 2022; Dunne, Daisy. Carbon Brief. [“Mapped: How climate change disproportionately affects women’s health.”](#) October 9, 2020; Financial Stability Oversight Council. U.S. Department of the Treasury. [“FSOC Report on Climate-Related Financial Risk.”](#) 2021; Cusick, Daniel. [“Past Racist ‘Redlining’ Practices Increased Climate Burden on Minority Neighborhoods.”](#) *Scientific American*. January 21, 2020.

⁸ Federal Insurance Office. U.S. Department of the Treasury. [“Analyses of U.S. Homeowners Insurance Markets, 2018-2022: Climate-Related Risks and Other Factors.”](#) January 2025; Flavelle, Christopher & Rojanasakul, Mira. [“More Americans, Risking Ruin, Drop Their Home Insurance.”](#) *New York Times*. January 16, 2025.

⁹ Federal Insurance Office. U.S. Department of the Treasury. [“Analyses of U.S. Homeowners Insurance Markets, 2018-2022: Climate-Related Risks and Other Factors.”](#) January 2025; see also Stancil, Kenny & Fabian, Carly. [“Mapping the Home Insurance Crisis.”](#) *Public Citizen & Revolving Door Project*. April 24, 2025.

increasing frequency and severity of natural disasters in the state¹⁰ contribute to higher paid loss ratios, which often precede changes in coverage availability and cost. Within that same timeframe, 86% of ZIP codes saw average nonpayment cancellation rates – when an insurer cancels before the end of the policy period due to not receiving payment – over the national average of 1.58%, with 18% of all ZIP codes higher than twice the national average.¹¹ Like paid loss ratio, increases in nonpayment cancellation rates often correlate to changes in premium cost, and according to FIO, “consistently appear to correspond with the expected losses from climate risk.”¹²

Because nonpayment cancellation often occurs when the policyholder cannot afford payment, rising nonpayment cancellation rates may indicate communities are being priced out of coverage entirely – a trend that is likely accelerating.¹³ The state approved a 10% rate increase in 2023, followed by a 12.8% increase in 2024, compared to 3.7% and 0.6% increases in the two previous years.¹⁴ In addition to inflation impacting rebuild costs, these increases were necessary due to the increase in storms and the increased frequency and severity of claims, according to the Maine Bureau of Insurance.

Rising premiums,¹⁵ reduced coverage,¹⁶ and canceled policies¹⁷ will push many families past the breaking point.¹⁸ Recent Federal Reserve studies have found that over a third of Americans would

¹⁰ Maine Climate Council. [“A Four-Year Plan for Climate Action.”](#) November 2024; *see also* Maine Climate Council. [“Assessing the Impacts Climate Change May Have on the State’s Economy, Revenues, and Investment Decisions: Volume 2: Cost of Doing Nothing Analysis.”](#) August 2020.

¹¹ Federal Insurance Office. U.S. Department of the Treasury. [“Analyses of U.S. Homeowners Insurance Markets, 2018-2022: Climate-Related Risks and Other Factors.”](#) January 2025; *see also* Stancil, Kenny & Fabian, Carly. [“Mapping the Home Insurance Crisis.”](#) *Public Citizen & Revolving Door Project*. April 24, 2025.

¹² Federal Insurance Office. U.S. Department of the Treasury. [“Analyses of U.S. Homeowners Insurance Markets, 2018-2022: Climate-Related Risks and Other Factors.”](#) January 2025.

¹³ *See, e.g.,* Hilton, Annmarie. [“Bipartisan leaders come together to try to make Maine more resilient to extreme weather.”](#) *Maine Morning Star*. February 27, 2025; Norman, Zara. [“Maine’s historic storms stretched home insurers to their limit.”](#) *Bangor Daily News*. May 22, 2024; Reynolds, Hugh. [“As storms worsen, property owners are having mixed success with their insurance options.”](#) *Mainbiz*. November 26, 2024; McGuire, Peter. [“Climate change impacts send Maine home insurance soaring.”](#) *Maine Public*. June 21, 2024; Gartner, Emmett. [“Maine businesses shocked that insurance won’t cover flood damage.”](#) *Bangor Daily News*. January 22, 2024; Valigra, Lori & Gerstein, Michael. [“Flooding and mold multiply damage from Maine’s harsher storms.”](#) *Climate Central*. March 18, 2024.

¹⁴ Main Bureau of Insurance. [“Presentation to the Health Coverage, Insurance, and Financial Services Committee.”](#) January 2025; *see also* Maine Climate Council. [“Scientific Assessment of Climate Change and Its Effects in Maine.”](#) June 2024.

¹⁵ Senate Joint Economic Committee. [“Climate Risks Present a Significant Threat to the U.S. Insurance and Housing Markets.”](#) December 2024; Stoney, Sierra & Sablik, Tim. Federal Reserve Bank of Richmond. [“Speaking of the Economy: The Rising Cost of Homeowners Insurance and Its Impact on Housing Affordability.”](#) August 21, 2024.

¹⁶ Waters, Emma. Bipartisan Policy Center. [“Rising Insurance Costs and the Impact on Housing Affordability.”](#) June 25, 2024; National Association of Insurance Commissioners. [“Fair Access to Insurance Requirements Plans.”](#) December 13, 2024.

¹⁷ Congressional Budget Office. [“Next to Fall: The Climate-Driven Insurance Crisis is Here – And Getting Worse.”](#) December 2024; *see also* Ludden, Jennifer & Baker, Liz. [“Before they lost their homes in the LA fires, many lost their insurance.”](#) *NPR*. February 4, 2025.

¹⁸ Ratcliffe, Caroline et al. Urban Institute. [“Insult to Injury: Natural Disasters and Residents’ Financial Health.”](#) April 2019.

have trouble paying for even a \$400 emergency,¹⁹ and for every \$500 increase in annual premiums, a borrower is 20% more likely to become delinquent on their mortgage.²⁰

Insurers have the tools to lead on climate – to use their capital, data, and risk models to build resilience and transition away from fossil fuels. But voluntary pledges have never been enough. LD 1674 offers a concrete step forward by requiring insurers to align their underwriting and investments with the climate risks they already acknowledge.²¹

It's time for the insurance industry to stop fueling the crisis it claims to protect us from – and time for lawmakers to step in where the insurance sector has failed to take any real action.

Thank you, and we urge you to support LD 1674.

¹⁹ Board of Governors of the Federal Reserve System. “[Economic Well-Being of U.S. Households in 2022](#).” May 2023.

²⁰ Ge, Shan et al. Federal Reserve Bank of Dallas. “[The Hidden Cost of Climate Risk: How Rising Insurance Premiums Affect Mortgage, Relocation, and Credit](#).” January 2025; *see also* Nagano, Yuri. “[Households Squeezed, and Financial Stability Risks Raised, as Climate Threats Boost Insurance Costs](#).” *The Wallstreet Journal*. February 26, 2025.

²¹ Smith, Ian & Bryan, Kenza. “[The uninsurable world: how the insurance industry fell behind](#).” *Financial Times*. June 2, 2024.