HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION AUGUSTA, MAINE 04333-0002
(207) 287-1400
TTY: MAINE RELAY 711

Sophie Warren
P.O. Box 1
Scarborough, ME 04070
Phone: (207) 450-0765
Sophie.Warren@legislature.maine.gov

May 20, 2025

Testimony of Representative Sophie Warren Presenting

L.D. 1674, An Act to Require Insurers to Address Climate Risk in Their Business Activities

Before the Joint Standing Committee on Health Coverage, Insurance and Financial Services

Good afternoon, Senator Bailey, Representative Mathieson, and respected colleagues of the Joint Standing Committee on Health Coverage, Insurance and Financial Services. I appreciate the opportunity to present L.D. 1674, An Act to Require Insurers to Address Climate Risk in Their Business Activities, also known as the *Insuring Our Communities Act.*

This bill represents not just regulatory progress, but a fundamental recognition that the financial health of our insurance market and the environmental health of our communities are deeply intertwined in the fight against climate change.

We are living in an era of mounting climate volatility. The insurance industry, perhaps more than any other financial sector, feels the economic tremors of worsening floods, storms, drought, wildfire, temperature and weather extremes and rising sea levels. As climate risk accelerates, insurance companies face growing exposure, threatening their solvency, our access to coverage, and the stability of our local economies.

L.D. 1674 responds to this urgent reality with a comprehensive and forward-looking policy framework. It places Maine at the forefront of state-level climate risk management by embedding the precautionary principle into insurance regulation. That principle, which requires proactive steps in the face of scientifically plausible, yet uncertain, threats is entirely appropriate in the context of climate risk, where delay equates to ever deepening damage.

This bill is a prudent and necessary step to ensure that insurers operating in Maine are not only accounting for climate risk but actively reducing it through responsible underwriting and investment strategies.

There are a couple core parts of this proposal, and I want to outline these provisions to offer some scaffolding as to the intent and impact of this proposal for your consideration:

A. Annual Reporting and Transparency

L.D. 1674 mandates that insurers disclose critical data about their investments and underwriting related to fossil fuel activities, particularly those supporting *new* fossil fuel infrastructure. This reporting includes:

- The share of insurers portfolios invested in companies or projects tied to **oil, gas and coal**;
- Emissions associated with underwriting and investment activities; and
- The extent of underwriting for high-emission sectors.

These disclosures will allow regulators, policymakers, and the public to assess whether insurers are aligning with climate-resilient strategies or placing the system and communities at **greater risk**. This transparency empowers better decision-making and enhances public accountability.

B. Prohibition on Underwriting of New Fossil Fuel Projects

At the heart of the bill is a **necessary course correction**: preventing insurers from backing *new fossil fuel projects*. These projects are not only incompatible with climate science and Maine's climate goals. They also create long-term financial liabilities for insurers. By excluding such projects from coverage L.D. 1674 reduces risk across the entire financial system and protects Maine consumers from cascading premium increases.

C. Phased Divestment by the Year 2030

Requiring insurers to divest from fossil fuel-intensive industries by 2030 ensures that our financial institutions align their activities with long-term sustainability goals. It gives the industry a clear, reasonable timeframe to make this transition, and it mirrors similar moves by institutional investors worldwide.

This provision sends a clear message: investing in fossil fuels is no longer reasonable, either for the environment or for financial stability. As the world transitions to a low-carbon economy, insurers must be implicated in the solution science and humanity demands.

D. Equity Considerations

Critically, the bill directs the Superintendent to assess the effects of climate risk strategies on the affordability and availability of insurance for disadvantaged communities. We know that marginalized populations are often hit hardest by climate disasters and are the least equipped to recover. This is embedded in the principles of our Climate Council planning and core mandate, and what I would argue is an essential element of the direction our climate policies must continue to move. By requiring explicit review of equity impacts, L.D. 1674 ensures that climate resilience is built on a foundation of justice. It encourages a model where risk reduction and broader societal protection go hand in hand.

A Market-based Approach & Industry Concerns

Importantly, this legislation does **not** ban insurers from doing business, nor does it impose a one-size-fits-all model. Instead, it creates guardrails to ensure that insurers in Maine are:

- Actively reducing their exposure to climate-related financial risk;
- Aligning their practices with science-based climate targets; and
- Preparing for the long-term transition toward a clean energy future.

This is a market-based solution that operates through disclosure, divestment, and supervisory oversight. These are tools which are familiar to and effective to financial regulators. In this way, L.D.

1674 mirrors best practices adopted internationally, including in jurisdictions like California, and the European Union.

Some stakeholders have raised concerns about regulatory burden or competitive disadvantage. But these concerns must be weighed against the very real costs of *inaction*. If insurers continue to back projects that worsen climate change, they amplify risks not just to their own portfolios, but to the people of Maine, through higher premiums, dropped coverage, and taxpayer-funded bailouts after disasters.

Moreover, many major insurers and financial institutions are already moving in this direction. This bill ensures a level playing field and creates clarity about expectations in Maine's insurance market. It does not punish innovation. It demands it.

By supporting L.D. 1674, we are giving insurers the signal they need to shift toward more sustainable, risk-aware strategies. We are also safeguarding the long-term resilience of Maine's economy, infrastructure, and communities.

This shared, I do want to express my interest in dialogue around this policy, which is a big proposal to be brought forward for consideration of this committee and stakeholders. While I hold the realities of climate crisis and the welfare of the public paramount, I appreciate that there is immense value in discussing the feasibility of this policy and dialogue towards these aims.

With all of this, and in conclusion, the *Insuring Our Communities Act* is not simply a regulatory measure; it is a moral and financial imperative. Climate risk is not a future issue. It is here. And unless we address it at the intersection of finance and fossil fuel expansion, we will only deepen the crisis and jeopardize our long-term stability. I see this bill as the beginning of a valuable dialogue.

By considering the provisions of this bill, and by advancing a policy to address climate risk in insurance practices through L.D. 1674, Maine has the opportunity to lead. We can set a standard for how states use prudent, data-driven insurance regulation to reduce systemic climate risk, protect consumers, and drive investment toward a more secure, equitable, and sustainable future.

I welcome your questions but also would suggest more technical questions are directed to the great individuals who will come after me to engage these issues more deeply than I will be able to. I would additional be happy to bring more informed answers and information to Thursday's work session.

I respectfully urge this committee to vote in favor of L.D. 1674 and to move it forward with the urgency and seriousness this moment demands. Thank you for your time, and for your consideration of this bill.