

Drummond Woodsum

Testimony of State Farm Mutual Insurance Company
In Opposition to LD 1674
An Act to Require Insurers to Address Climate Risk in Their Business Activities

May 20, 2025

Senator Bailey, Representative Mathieson and distinguished members of the Health Coverage, Insurance and Financial Services Committee: My name is Ben Gilman. I am an attorney with Drummond Woodsum in Augusta, and I represent State Farm Mutual Insurance Company. State Farm is the largest property and casualty insurer in the United States. Thank you for this opportunity to offer testimony in opposition to LD 1674, An Act to Require Insurers to Address Climate Risk in Their Business Activities.

LD 1674 would result in significant negative consequences for consumer choice in the Maine insurance market, if it were to become law. This bill as currently drafted would create a non-competitive insurance environment and will create a barrier to competition. New insurers may be reluctant to enter the state. Maine has some of the lowest insurance prices for consumers in the entire country, and this bill would dramatically impact the Maine market with less competition.

The requirement that insurers “align investment and underwriting activities” to Maine’s view and divest from all broadly defined “fossil fuel” companies by 2030 is an unrealistic requirement from an investment perspective. For other purposes, with regard to investments of an insurer, Maine defers to the insurer’s domicile state. (Title 24-A, §1137: Investments of foreign insurers) This bill diverts from that standard approach.

Forced divestment is contrary to sound investment policy consistent with state investment laws which can lead to unexpected losses. Poorly defined categorical definitions in divestment regulations may have unintended consequences, leading to divestment from industries tangentially related to fossil fuel industries (e.g. utilities that require investment to transition to renewable utility services).

Climate change measures related to investment risk are taken into consideration, but insurance companies must consider all risks when making investment decisions in order to remain fiscally strong to meet obligations to policy holders. Risks associated with our investments are continuously monitored and evaluated in order to preserve our financial strength to ensure we can meet our obligations to our policyholders.

In closing, if LD 1674 were to become law, it would negatively impact Maine’s current stable insurance marketplace. State Farm respectfully requests that the Committee vote Ought Not to Pass on LD 1674. We would be pleased to provide any additional information helpful to your consideration of this bill.