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Senator Sanborn, Representative Tepler, distinguished members of the Health Coverage, Insurance and Financial Services Committee. My name is Robert Foley. As a former member of this committee, I wish I were able to present to you some delectable treats for you to enjoy during your meeting today as is our tradition for returning members. Unfortunately, I will have to hold out an IOU for a time when we will be able to meet in person. Hopefully soon.

As some of you know I have worked in the insurance industry for over 40 years. Starting as a claims adjuster and working my way up to my role today as a managing partner in an independent insurance agency. I also hold the professional designation of a Certified Insurance Councilor. I was honored to have served on this committee for the past six years.

I'm testifying today in opposition to LD 694, An Act Concerning Business Interruption Insurance.

This bill attempts to, retroactively, provide coverage through an insurance contract for losses that were never anticipated to be covered and for which no premium associated with such a loss has ever been charged or paid. While I can appreciate the sponsor's intent, legislatively altering an insurance contract to provide a financial benefit, retroactively, for which there was never any consideration, will certainly cause grave financial consequences to the commercial insurance market place here in Maine.

Insurance policies are contractual agreements between two or more entities with a promise to provide financial protection for agreed upon circumstances or losses for the premium paid. In order to provide a reasonable cost for such coverage, there are certain limitations and exclusions built into the contract that limits the company's exposures and therefore their claim expenses, especially for catastrophic events. To require an insurance company to provide coverage that wasn't anticipated within the contract and wasn't compensated for in premium

payments, will create multiple legal challenges, increased costs to all consumers and financial difficulties for many carriers doing business here in Maine, including insolvency.

As mentioned, many exclusions that currently exist in most insurance contracts like flood, earthquake, war, civil commotion, terrorism, etc., are necessary to limit exposures that can be catastrophic. That is why the federal government, in many of these type cases, steps in to financially assist, as they have during this pandemic with the PPP program and other financial assistance.

If the Maine legislature can void these types of provisions within existing contracts, without due consideration of the financial impact, I suspect many companies will re-evaluate where and how they can successfully do business here in Maine, in a market that has already hardened over these past 12 months. This legislation will set a very dangerous precedent.

In order for insurance programs to work and remain affordable and financially viable, their exposures must be statistically predictable, limited in frequencies and distributed over a large enough number of exposures such that one event does not impact every policyholder at the same time. Limiting frequency, controlling severity and spread of risk are the key components to financial solvency.

Many of the companies here in Maine, who were equally impacted by this pandemic, continued, throughout this past year, to work with our clients to alter billing and payment schedules, waiving cancellation provisions, reducing revenue projections and payrolls to lower premium costs. Dividends from mutual companies were issued ahead of schedule to assist with providing an influx of cash to many businesses. Our own Maine Employers Mutual Insurance Company, MEMIC, was one of the first to do so.

I understand the issues this bill attempts to address. I had many difficult conversations with my clients over these very exclusions. My own business was equally impacted. But I will have many more difficult conversations if there are no standard carriers left in Maine willing to write commercial insurance as a result of these actions you are considering today.

The answer to this dilemma is not what this bill proposes. The answer is to strategically think through the financial issues this pandemic has created and

resolve it through a national effort similar to what was done after 9/11 with the Terrorism Risk and Insurance Act, known as TRIA. Where all commercial policy holders, throughout the country, contributed a portion of their premiums dollars to create a risk pool of resources to assist when and if the next event happens. Those discussions are underway at the federal level, with the insurance industry's involvement, where it should be, not a state-by-state, legislative mandate as is proposed here.

I thank you for your time and consideration.