



# HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0002

(207) 287-1400

TTY: Maine Relay 711

## **Lori K. Gramlich**

154 Temple Ave.

Old Orchard Beach, ME 04064

Phone: (207) 232-1067

[lori.gramlich@legislature.maine.gov](mailto:lori.gramlich@legislature.maine.gov)

March 16, 2021

*Testimony of Rep. Lori K. Gramlich presenting*

## **LD 694, An Act Concerning Business Interruption Insurance**

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

Good morning, Senator Sanborn, Representative Tepler and esteemed colleagues of the Joint Standing Committee on Health Coverage, Insurance and Financial Services. My name is Lori Gramlich, and I represent House District 13, which is the community of Old Orchard Beach.

I am here to present **LD 694, An Act Concerning Business Interruption Insurance**.

As we are all aware, a mere year ago this week, the impact of the global pandemic, now known as COVID-19, caused businesses across the state to abruptly shut down. While it was certainly the correct step to protect public health, businesses were closed. In many tourist communities, particularly seasonal ones like my community of OOB, they not only closed for the summer tourism season – they closed for good.

Both the Federal and State Government had made attempts – many of which were successful and many of which indeed helped our business communities – to be responsive to these losses most all of our businesses have incurred. Policy holders, however, had not been able to claim these losses through their insurer.

As a result, and after talking with many business owners, I was approached by several constituents to submit this proposed legislation. As crafted, this bill includes a retroactivity clause, which I would recommend the committee amend and remove.

As I am sure you are aware, business interruption (BI) insurance policies can help a business remain afloat if it has to close temporarily. The policies provide income replacement that can be used to cover day-to-day operating expenses and overhead costs until the business is able to reopen. The National Association of Insurance Commissioners estimates that 30% to 40% of business owners carry some form of business interruption coverage.

While commercial property pays for actual physical damages or losses, business interruption covers lost net income due to the closure of the business while repairs are underway. These policies may cover rent or lease payments, relocation costs, employee wages, taxes and loan

payments. Business interruption does not typically cover damages or losses from flooding, earthquakes, and mudslides, although consumers can purchase additional coverages for these specific perils. Exclusions from coverage include losses unrelated to property damage, such as lost revenues due to viral outbreaks or pandemics.

Business interruption insurance, which is meant to help offset the loss of income when operations are temporarily halted due to a covered event, often falls short. “Covered event” is the key phrase, in that unless a business interruption policy specifically lists pandemics or contagious illnesses as being covered, they may not be.

This is not a new concept as at least 10 states, as well as Congress, have introduced similar legislation.

The American Academy of Actuaries (AAA) has said that the “pandemic risk is more similar to the catastrophic risks covered by programs like the Terrorism Risk Insurance Program and the National Flood Insurance Program than to risks normally insured by the commercial insurance market and any new (federal) program seeking to facilitate pandemic risk coverage should reflect that difference.”

LD 694 requires insurers that provide business interruption coverage to include lost revenues due to viral outbreaks, pandemics, government-ordered business closure or evacuation, or a power disruption conducted for public safety purposes – events which will cause a business to close, by no fault of their own – much like in the case of a natural disaster.

I would see this as an opportunity for policy holders to purchase a rider in their business interruption insurance that would include coverage for business closures due to these circumstances described.

While the COVID-19 pandemic was the event that prompted this submission of this legislation, I am recommending the committee consider amending this bill by deleting “COVID-19” and inserting: "loss of business due to unforeseen public health situations which results in the involuntary closing of a business."

Thank you for the opportunity to be a voice for my constituents and I will certainly try to answer any questions you may have.