

March 15, 2021

Via Electronic Submission

Senator Heather Sanborn, Chair
Representative Denise Tepler, Chair
Joint Committee on Health Coverage, Insurance & Financial Services
100 State House Station
Augusta, ME 04333

Re: Opposition to Legislative Document 694 (HP 506)

Dear Chairs Sanborn and Tepler and Members of the Joint Committee on Health Coverage, Insurance & Financial Services:

This testimony is submitted on behalf of Underwriters at Lloyd's, London ("Lloyd's"). Lloyd's is the largest writer of surplus lines insurance in the United States as well as a leading reinsurer. We appreciate the opportunity to provide testimony in opposition to Legislative Document 694.

Lloyd's opposes Legislative Document 694 because it seeks to use the insurance industry to solve a problem that is much larger than our industry alone can shoulder. Lloyd's is sympathetic to the terrible blow the pandemic has dealt many businesses. However, business interruption coverage simply was not designed to cover pandemic related government shutdowns. Business interruption insurance is sold as part of a property insurance policy – an optional, supplementary coverage that is meant to respond when a property is physically damaged, such as by a fire, in order to cover the lost operating time required for repairs. Business interruption coverage was never meant to cover broad economic losses like those caused by the pandemic.

The most troubling aspect of Legislative Document 694 is that it seeks to retroactively change insurance contracts to provide coverage that was not agreed between the parties. This unconstitutional rewriting of private contracts would create an insurance crisis on top of the public health and economic crises we are already facing. Insurers would be forced to pay claims which they did not contractually agree to cover and for which they did not collect premiums or set reserves. The impact on Maine's property & casualty insurance market is likely to be a significant reduction in insurance capacity. As with any reduction in supply that could lead to higher prices and some coverages could even become unavailable. This would make it even more difficult for the businesses that have weathered the pandemic thus far.

Lloyd's of London has built its reputation on writing coverages that other insurers find too complex or risky. Yet in the days before the pandemic even Lloyd's provided very little coverage for pandemic risk. There were some specialized policies that provided coverage for event cancellation. For example, Lloyd's provided event cancellation coverage to the Wimbledon tennis tournament which included pandemic risk. But only a small number of such policies were written, and the premiums were very significant. The fact that even Lloyd's, a market known for covering hard to place risks, was writing

Timothy W. Grant
Associate General Counsel

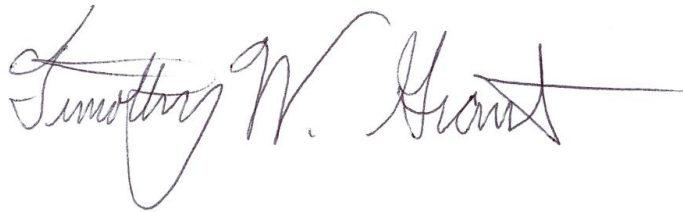
LLOYD'S

very little pandemic coverage prior to 2020, shows that pandemics were recognized as extremely challenging to insure.

Lloyd's certainly understands the concerns Legislative Document 694 is trying to address, but the only way to provide the type of assistance businesses need to survive the pandemic is broad-based economic support or grant programs, which will likely need to come from the federal government. The costs associated with the pandemic are just too large to be foisted upon a single industry or sector of the economy. To this end, Lloyd's was pleased that the American Rescue Plan Act recently signed by President Biden includes \$28.6 billion dollars in grants for restaurants, with restaurants eligible for up to \$10 million per applicant.

Lloyd's appreciates the ability to offer this testimony and would be glad to discuss this issue further.

Very truly yours,

A handwritten signature in cursive script that reads "Timothy W. Grant". The signature is written in black ink and includes a long horizontal flourish extending to the right.