



To: Maine Joint Standing Committee on Health Coverage, Insurance & Financial Services

Re: Testimony in Opposition to LD 694

Date: March 16, 2021

Senator Sanborn, Representative Tepler and members of the Joint Standing Committee on Health Coverage, Insurance & Financial Services:

On behalf of Acadia Insurance, I am writing to urge the Committee not to pass LD 694, An Act Concerning Business Interruption Insurance. Acadia Insurance is a commercial property and casualty insurer that offers insurance programs for small and midsize businesses throughout New England and New York State. We believe being local doesn't just mean being down the street. It means having a real understanding of the communities we serve. Our company was founded in 1992 to insure Maine businesses. Acadia is still headquartered in Westbrook with 137 Maine-based employees, and insures more than 5,500 businesses located in every county in the state.

The public health crisis and related financial issues have challenged all aspects of daily life, and we understand and appreciate the difficulties and resilience of Maine businesses to the massive economic disruption caused by the pandemic. We believe, however, that LD 694 would cause catastrophic financial harm to the property casualty insurance industry, Maine businesses, and Maine's economy.

Business interruption insurance is a component of property insurance policies that covers losses resulting from direct physical damage to a property, such as a fire. This insurance coverage is not intended to cover diseases or pandemic-related losses. Accordingly, insurers have not priced policies to include such coverage, and policyholders did not pay for this coverage.

This bill, however, would retroactively require insurers to cover business interruption losses directly or indirectly caused by COVID-19. This would create substantial new payment obligations that were never contemplated nor reserved for. Industry estimates for business interruption losses range from \$400 million to \$1.7 billion per month. This compares to only \$20 million in monthly premium for policies that include business interruption coverage. It is not hyperbole to say that some insurers might be at risk of insolvency if this bill were enacted, and it would undoubtedly undermine the ability of insurers to pay everyday covered claims such as fires, auto accidents, or theft. Make no mistake, this would profoundly destabilize the state's economic recovery and insurance market, costs that ultimately would be borne by Maine businesses.

Rewriting existing insurance contracts by retroactively mandating coverage is also unprecedented and constitutionally flawed. It undermines or violates basic due process, government takings, and contracts clauses of the U.S Constitution, as well as the Maine Constitution. Passage of LD 694 as drafted will assuredly lead to uncertainty and litigation.

Truly, only the federal government can be the financial bridge for a global pandemic and crisis of this proportion and duration. A third relief package has been signed by President Biden, with \$1.9 trillion soon to flow into the economy to help states and businesses recover. LD 694 is not the solution.

For the foregoing reasons, we urge the Committee to vote Ought Not To Pass LD 694. Thank you for the opportunity to provide comments and share our concerns.

Respectfully submitted,

David LeBlanc

David LeBlanc, President